UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/2000/3
2 December 1999

ORIGINAL: ENGLISH

First regular session 2000
24-28 and 31 January 2000
Item 2 of the provisional agenda
UNDP

BUSINESS PLANS, 2000-2003

COMPREHENSIVE ASSESSMENT OF THE UNDP 2001 CHANGE PROCESS

I. BACKGROUND AND INTRODUCTION

1. In the progress report on the implementation of change management submitted to the Executive Board at its first regular session 1999 (DP/1999/CRP.2), UNDP committed itself to undertaking a full assessment of the change process in the second half of 1999. The present report contains the results of that assessment, which took place over a six-week period between September and October 1999.[1] It focused on six main areas:

(a) The extent to which the UNDP 2001 implementation plan has been carried out, including an assessment of the mechanisms and approaches established for implementation of 2001 decisions;

(b) The effectiveness of the mechanisms UNDP instituted to monitor the 2001 process;

(c) An assessment on the use of non-core resources made available for change initiatives and their effectiveness;

(d) The extent to which programming in the period 1997-1999 has conformed to the guiding principles adopted by the Executive Board in its decision 98/1 and the ways in which programme quality has improved at the national, regional and global levels;

(e) The cost benefits that have accrued to the organization through the change process in terms of efficiency, cost-savings, speed of responses and organizational agility;

(f) The extent to which UNDP has become a learning organization.

2. The assessment team consisted of the team leader; a management consultant; a programme consultant; and an organizational learning consultant. In addition to intensive consultations with UNDP staff, the team held discussions with the Transition Team and took into consideration the results of the client survey and the global staff survey.

3. The impetus and need for comprehensive change came from the evolving scenario of the post-cold war period and in particular from the shift from multilateral to bilateral assistance, the onset of globalization, the mushrooming of crises around the world and the overall decline in Official Development Assistance (ODA), which signalled the end of providing assistance on the basis of entitlement.

4. The change management process built on Executive Board decisions through which the Board adopted sustainable human development (SHD) as the guiding principle of UNDP (94/14, 95/22, 95/23). It was designed to release the entrepreneurial spirit in the organization through the establishment of a demand-driven, client-focused culture whose hallmarks are speed, quality and flexibility.

II. IMPLEMENTATION

5. The stakeholders' phase, launched in May 1996 following a memo from the Administrator, lasted until May 1997 and involved system-wide consultations at all levels. The Change Management Committee was established to provide direction and guidance to the process. In May 1997, the implementation plan for the 2001 change process was designed and approved by the Executive Board and implementation initiated through the line units with support from the Bureau for Planning and Resource Management (BPRM) and the Operations Support Group (OSG), both of which had been recently created.

6. The implementation plan identified six major areas of UNDP activity for change: support to country offices; organizational learning; re-engineering and restructuring; resource mobilization; accountability; and support to United Nations reform. The present report provides information on each of these areas.

A. Support to the country offices

7. The 2001 process has led to increased decentralization and delegation from headquarters to country offices in a number of crucial areas. On the programme side, there has been clear decentralization of programme approval and the ability to enter into new trust fund arrangements, leading to a 50 per cent reduction in reporting requirements. At the same time, new products have been designed to improve the speed of business processes and allow country offices to exploit opportunities better, namely: the new programming manual; the national execution guidelines; the private sector guidelines; and guidelines for execution by non-governmental organizations (NGOs). Country offices have also benefited from increased delegation with regard to a series of human resources business processes such as medical examinations, home leave, travel, education

grants, repatriation allowances, staff advances and the management of contracts for activities of limited duration (ALDs) and special service agreements (SSAs).

8. However, the positive effects of increased decentralization have been somewhat offset by the reduced level of resources and the emergence of restricted authorized budget levels.

9. Additional attention still needs to be paid to country offices in special development situations. It was a positive step to have the Emergency Response Division (ERD) report directly to the Administrator. Further efforts are now required to increase the speed, flexibility and resourcefulness of these country offices. At the headquarters level, effective coordination must be ensured between ERD and the regional bureaux.

10. The allocation of resources to the programme areas of focus, as mandated by the Executive Board, was sustained throughout the change management process. A combined analysis of core and non-core resources shows that 42 per cent of resources were channelled to governance; 34 per cent to poverty and sustainable livelihoods; 23 per cent to the environment; and 1 per cent to gender. At the same time, the large number of projects reveals limited growth in the use of the programme approach.

11. Increased decentralization has not decreased the distance between headquarters and the field. While issues such as the five-day response and the one-stop shop require immediate attention according to the client survey, a pressing issue is the 2001 target of deploying 25 per cent of headquarters staff to the field. While the target was set in an arbitrary fashion with no analysis of the implications, the fact remains that there has been a substantial increase in SSA and ALD contract holders at headquarters - from 45 in 1994 to 203 in 1999. A recent count shows that there are currently 109 project staff at headquarters funded by the United Nations Office for Project Services (UNOPS), most of whom are in the Bureau for Development Policy (BDP), at an estimated cost of $11 million per year.

12. The accountability framework and compliance requirements monitored by the Office for Audit and Performance Review (OAPR), OSG and the Evaluation Office is a positive move towards installing and sustaining a management monitoring mechanism to ensure that decentralization is not undermined. It will require system-wide commitment (see paras. 37 to 42) and will be less arbitrary than the system based on compacts entered into by operational units, introduced in 1998, which did not prove effective.

B. UNDP as a learning organization

13. All six subregional resource facilities (SURFs) envisioned in phase 1 are now operational, albeit in varying degrees. Baseline targets have been established for referrals, general and technical backstopping missions, networking and best practices. The Global Hub is establishing a database of success stories pertaining to UNDP and other United Nations agencies to be posted on the intranet while ten thematic networks are currently on line.

14. The SURFs face two major challenges: (a) to ensure an alignment between corporate and operational functions given that these are currently split between the Global Hub/BDP (with responsibility for strategic planning) and the regional bureaux (which retain operational responsibilities); (b) to organize SHD into thematic areas. The latter will require facilitators who are thematic specialists with a broad knowledge of development-related activities as well as of the needs and functions of country offices. While the SURFs are still in an initial phase, drawing mixed reactions, it is important to recognize the potential of this structure as a learning network for the entire organization.

1. Enabling staff to learn

15. The change management process has brought about numerous enhancements for the promotion of staff learning. UNDP has adopted a policy allowing 5 per cent of staff time to be used for learning. The Executive Committee has approved a framework for learning, which, when accompanied by the companion framework for action, affirms the intent to make UNDP a learning organization. A learning catalogue describing available learning resources has been published. Learning resources, including videos, self-study guides, audiotapes, CD-ROMs, books and licenses for on-line training for 1,000 staff members have been procured and made available. A learning managers network has been developed and pilot-tested on a group of country offices.

16. In addition to these learning enhancements, UNDP must establish a supportive learning environment that will lead to its becoming a true learning organization based on honesty, integrity and open and frank dialogue. According to the 1999 global staff survey, nearly six out of every ten staff at headquarters were of the opinion that their supervisors failed to encourage them to take advantage of available learning opportunities. Only half of staff at headquarters reported being actively encouraged to devote at least 5 per cent of their time to learning. The global staff survey also reveals a gap in trust between staff and management that must be bridged if a supportive environment for learning is to be successfully established. Only one out of three staff at headquarters responded favourably to the level of leadership and direction provided by UNDP management, with senior-level management receiving relatively low marks.

17. There is a clear need for the leadership to communicate more effectively with staff on the nature of UNDP business and the skills and competencies that the new UNDP will require. The global staff survey indicated that two out of every three staff members at headquarters do not have a clear understanding of UNDP organizational goals although they are clear about the goals of their respective units.

18. The transformation of the UNDP work processes from hierarchical delegation to a more horizontal inquiry-based dialogue remains a pivotal issue. While UNDP 2001 increasingly requires staff to demonstrate proficiency in a series of areas such as networking, systems thinking, causal analysis, social, economic and political analyses, strategic planning and communications, only modest resources have been allocated to these ends. Furthermore, training, when available, has been primarily of the classroom variety, with relatively little attention paid

to learning opportunities within the context of actual job performance. UNDP must take measures to ensure that all staff members have the skills and abilities to apply their knowledge productively, including access to information technologies. Otherwise, knowledge becomes an unfulfilled promise for UNDP.

19. Some staff members have developed individual learning plans as a means of attaining the skills needed in the new UNDP. The organization should provide further incentives for all staff members to set individual learning goals that will help to fulfil its vision and mandate. Some examples of how this can be done are given below.

2. Establishing core competencies

20. Through the establishment of a competency-based recruitment process, UNDP has promoted the need for staff members to develop individual learning plans. They have been encouraged to do so during the performance appraisal review/individual performance plan (PAR/IPP) process through formal or web-based facilities. Sets of competencies have been developed for resident representatives, deputy representatives and assistant resident representatives. A competency-based process was developed for pre-assessing candidates who wish to apply for vacant United Nations posts and an interview guide was designed for the recruitment of resident representatives.

21. These competencies fall into two distinct categories: (a) those that emphasize generic behavioural skills needed to manage any organization and (b) more substantive competencies, referred to as hard skills, needed for the individual job. The two categories must now be balanced so that more job-specific aspects are incorporated into competency statements, thus ensuring the right mix between behavioural skills and the knowledge and experience of substantive areas crucial to UNDP activities.

C. Re-engineering and restructuring

22. A number of initiatives have been introduced to improve business practices, increase organizational efficiency, and streamline procedures in order to allow headquarters to focus on strategic issues and oversight. Prominent among these were the establishment of BPRM, OSG and the Evaluation Office; streamlining of the Bureau for Financial and Administrative Services (BFAS); simplification of procedures in the Office for Human Resources (OHR); the reduction of reporting requirements from the country offices to headquarters; better synchronization of the budget and strategic priorities; implementation of the 1998/1999 separation programme; the 1996 and 1999 global staff surveys and the client survey; and significant improvements in information systems.

23. While BPRM has assumed the functions envisaged in UNDP 2001, there is a need to redress the increasing imbalance between corporate and operational functions by further developing and clarifying the role of OSG. This has been put in motion by the Associate Administrator in his memorandum of 12 April 1999, in which he outlined the role, structure and function of OSG.

24. The 1999 global staff survey indicates that, in general, the organizational restructuring has not simplified business processes and that the situation has actually worsened since 1996. Seventy-three per cent of the respondents at headquarters encountered problems at work because of poor routines and procedures, while 71 per cent also attribute problems to bureaucracy and to the proliferation of committees and units. The situation has also deteriorated in the country offices, with poor routines being cited as problematic 35 per cent of the time and procedures and bureaucracy 60 per cent of the time.

25. In reports on the change process, reference is often made to the need to simplify manuals, handbooks, guidelines, policies, and procedures. While this has been a welcome move, further streamlining of UNDP internal processes may eliminate the need for some manuals, policies, and procedures now in existence.

26. Noteworthy improvements have been made in information technology and management, including the global budget module, the transactions module, and overall systems harmonization. The Financial Information Management System (FIMS) is now operational in most country offices integrating the FIMS and the windows field-office accounting system (WINFOAS). Overall, 53.8 per cent of the 1999 client survey respondents considered the FIMS good or very good while 50.6 per cent of them were highly satisfied with WINFOAS. However, satisfaction with the training available for these systems was lower, with only 41.5 per cent rating it good or very good and 43.5 per cent dissatisfied.

27. The Integrated Management Information System (IMIS), which will be completed by the end of the year, integrates human resources, staff entitlements, finance/general ledger, and payroll components. A number of other analyses and reporting systems using integrated databases have been designed and are in various stages of user-validation. However, there continues to be some dissatisfaction with IMIS, which must be addressed.

28. While it is possible to conclude that there has been progress in reducing overhead costs during the last two biennial budget periods, mostly due to post reductions, a definitive evaluation of progress in this area will require a more detailed audit of non-programme-related expenditures.

29. Although the costs associated with UNDP 2001 are, in general, not difficult to identify, quantification of the benefits presents a greater challenge. In the first place, UNDP 2001 is still an ongoing process and it is premature to attempt an evaluation of the benefits of many of the initiatives undertaken. Second, many of the benefits arising from the UNDP 2001 process are quite difficult to quantify, for example, the potential benefits from the SURFs or the improved planning and reporting processes embodied in the multi-year funding framework/results-oriented annual reports (MYFF/ROARs). This kind of cost/benefit or post-appraisal exercise can be seen as a useful and integral part of organizational learning; it also requires time and resources and the development of appropriate methodologies.

D. Resource mobilization

30. UNDP overall income has grown steadily, reaching $2.5 billion in 1998, representing an increase of 192 per cent since 1980. Income from non-earmarked voluntary contributions to core resources has been in decline, from 90 per cent of total resources in 1980 to 30 per cent in 1998. Estimates of pledges to core resources for 1999 are in the range of $700 to $750 million. Meanwhile, non-core resources have grown to $1.8 billion (1998), the major portion from government cost-sharing in six Latin American countries (Argentina, Brazil, Colombia, Panama, Peru, Venezuela). As core resources have declined, the ratio of administrative to programme costs has become untenable in a number of countries.

31. In approving the budget estimates for the biennium 2000-2001 in its decision 99/15, the Executive Board made the optimistic assumption that the annual target of $1.1 billion for core would be met by "at least the last year of the period". The level of contributions received over recent years has not reflected such optimism.

32. Several countries have provided non-core resources as trust funds specifically for the implementation of different facets of UNDP 2001, namely: Canada, Finland, Japan, Norway, Sweden and the United Kingdom. These funds were particularly appreciated given the financial constraints on the organization at a time of change. The largest contributor has been Sweden, with a total of $8.6 million. Reports have been made available to the respective donors on project utilization/expenditure and on achievements and lessons learned. The role of the Swedish Institute for Opinion Research/Service Management Group (SIFO/SMG) in the 2001 activities was also audited, which provided valuable lessons for the future of change management.

33. Added emphasis has been placed on resource mobilization by the organization through the development of new instruments and mechanisms that better allow country offices to explore new possibilities for in-country donor relations, the private sector and civil society. Country offices have, however, expressed a high level of dissatisfaction with the support headquarters has given them for resource mobilization (43 per cent). Renewed collaboration should also be pursued with the Bretton Woods institutions, particularly in the areas of capacity-building for governance and poverty eradication.

34. The relationship of non-core to core resources is fundamental to the direction of UNDP, particularly at the present time. In the budgets for the 1998-1999 and 2000-2001 bienniums, the total support costs of core-funded programme expenditures is just under 30 per cent. With the inclusion of non-core funded expenditures, this changes to 19 per cent and 13 per cent, respectively. This means that UNDP, through its core capacity, is able to leverage non-core funding resulting in an overall cost-effective operation of its activities. While UNDP covers incremental costs relating to its non-core activities, there is no doubt that greater attention must be paid to the cross-subsidization of core resources by non-core resources, particularly in those countries that generate large, non-core holdings that are cost-shared by the Government. This approach could be flexibly applied and modified if situations and policies changed in those countries.

35. In its decision 99/1, the Executive Board endorsed the multi-year funding framework (MYFF) 2000-2003, consisting of a strategic results framework (SRF) and an integrated resource framework. This has created a clearer link between overall results and resources and shifted the emphasis from inputs to outcome analysis and measurement. Whether this will result in a regeneration of resources will depend upon political will.

36. The development of indicators to measure performance is a major contribution for improved planning and execution; it is, however, important to remember that many of the benchmarks and indicators are qualitative and will require further refinement and review. It is well advised that the Executive Board select a limited number of themes to be assessed until the preparation, reporting and analysis of the SRFs becomes routine. This may require more than four years.

E. Accountability

37. A major feature of the new accountability framework is the Control Self-Risk Assessment (CSRA) programme, which enables UNDP staff to identify the risks in their day-to-day work, as well as ways to manage those risks. It is already in use in a number of the Executive Board member countries. Over 30 facilitators have received training in CSRA and UNDP Asia is planning to launch the programme.

38. The new framework stresses the importance of individual and organizational responsibility, consistent with the values, mission and mandate of UNDP, and the need to develop skills and competencies through learning and training while exercising probity, prudence and transparency. Its successful implementation is therefore closely linked to a new ethical culture and system-wide commitment to it.

39. Compliance with financial rules and procedures continue to be paramount, with responsibility for outcomes and impact, as determined by SRFs, being an added feature. Although still in the development stage, the results-oriented annual reports (ROARs) have the potential of becoming an integral part of a viable framework for the future, one based on effective planning and execution and rooted in results-based management. The effectiveness of the ROARs depends on their being simple and straightforward and reporting on a small number of critical success factors that are relatively easy to assess.

40. From the outset, the concept of holistic oversight has been at the heart of UNDP 2001. From an audit perspective, however, compliance is still given preference over performance. According to the 1999 client survey, the country offices perceive that they are being held highly accountable for financial management and programme delivery (96.5 per cent and 90.8 per cent, respectively) while accountability for change management is still quite low (45.9 per cent). Accountability for programme results and human resource management are also seen as relatively high (84.9 per cent and 81.6 per cent, respectively). These figures are, however, lower than had been expected in view of the high delegation of authority and management responsibility given to the

country offices, and the importance of these two factors in the type of client-centred, learning organization that UNDP is striving to become.

41. The compact has the potential for setting objectives, assessing progress and improving the accountability of bureau directors and resident representatives. Responding in the client survey, 74.4 per cent of the resident representatives indicated that they felt highly accountable for its contents. Further, as reviews of action plans at the country level have not been carried out, only 36.9 per cent of survey respondents were satisfied with the feedback received from their regional bureaux and 33.7 per cent were highly satisfied with the commitment of their respective bureau to its compact.

42. As undertakings by senior managers to deliver development services, mobilize resources, manage programmes and human resources, and enhance cooperation with development partners (client countries, United Nations system, and donors) the compacts could serve better as an accountability tool if they were restricted to a few major areas of responsibility. This is particularly true at a time when UNDP needs to reconcile a new compliance framework with decentralization and client focus and will require, in a results-based culture, insightful leadership to ensure balance between flexibility and compliance.

F. UNDP support to United Nations reform

43. Within the spirit of the reform process spearheaded by the Secretary-General, UNDP has played a leading role in the effort to create a more coherent United Nations system. The assignment of the Administrator as Chairman of the United Nations Development Group and the continued stewardship by UNDP of the resident coordinator function through the United Nations Development Group Office (DGO) testifies to this. Meanwhile, according to the recent client survey, 73 per cent of country offices indicated that they would like to see the regional bureaux more involved in supporting the resident coordinator system.

44. The new resident coordinator competency assessment (RCCA) project has reviewed 72 candidates in three sessions held between November 1998 and June 1999. The opening up of the recruitment process for resident coordinator positions has also been designed to underscore and recognize the relevance of the position throughout the United Nations system and is a major accomplishment of the Inter-Agency Advisory Panel.

III. CONCLUSIONS

45. It is important to highlight the considerable professional effort and commitment that went into the design, consultations and launching of UNDP 2001 and to recognize the limitations of carrying out an assessment of this process before it has taken root. Moreover, the process has taken place during a time that has seen the departure of the former Administrator, who planned and led the change management process in partnership with the Executive Board, the arrival of the new Administrator and the work of the Transition Team in preparing the Business Plan 2000-2003. The conclusions presented below will address the extent to which the momentum for change can be sustained and improved,

particularly with regard to re-engineering and restructuring, organizational learning, culture and the evolving change process.

A. Re-engineering and restructuring

46. The impact of the change management process has been limited by the prevalence of restructuring over re-engineering. Re-engineering should have provided the context for organizational restructuring and determined the core competencies necessary to accomplish the organization's mission. Instead, there has been a great deal of tinkering with processes and procedures in an effort to improve efficiencies without questioning whether certain activities should be done at all. A more systematic approach is required for the optimization of the organization as a whole.

47. In general terms, an initial phase of process and/or activity re-engineering would have produced some early tangible and measurable results. These results would have better demonstrated the extent of senior management commitment to change and countered the organization's scepticism regarding the change process.

48. UNDP faces many constraints to change, arising from the intergovernmental nature of the business it performs, the multiple ownership of core processes within a common system and the cultural diversity of its human resource base. However, UNDP needs to make an effort to ascertain which constraints are real and not susceptible to change while avoiding the creation of artificial barriers to change. Otherwise, the organization may place itself in a situation where there is very little possibility of instituting real change.

49. The change management process has not fostered closer bonds between corporate spheres and operations. In fact, the traditional divide between corporate functions and operational activities may have grown wider. The critical role of BPRM is viewed by some in the organization as an indicator of more power to the corporate functions while the start up problems of OSG and the hollowed-out regional bureaux are seen as a symbol of the decline in operations. Clearly, there is an urgent need to redefine and reassess the headquarters structure to ensure a more closely knit structure.

50. Another aspect of the corporate/operations divide is the role of the Associate Administrator, the support of OSG and the decision-making functions of the Executive Committee and the Operations Group. The extended Executive Committee, although not a cabinet-like structure, is mandated to take decisions while the Operations Group, except in programme-approval functions, is essentially an information-sharing body. There is a continual need to streamline decision-making functions at the highest levels of the organization.

B. Organizational learning

51. In retrospect, it seems that in UNDP 2001 the challenges and commitment required for transforming UNDP into a learning organization were underestimated; what is required first and foremost is a culture supportive of learning. This

is yet to be achieved. The establishment and promotion of the Learning Resource Centre (LRC), the 5 per cent learning policy and the adoption of learning frameworks all are important achievements but they fall short of attaining critical mass.

52. The missing catalysts are focused and sustained leadership that promotes a work environment conducive to learning; meaningful incentives to make learning happen; and career rewards for results-based learning accomplishments. According to the results of the global staff survey, the change management process has made only small inroads into changing the management-by-control style. The predilection for more formal committee structures tends to inhibit consensus-building through informal cross-bureaux project teams. It will be possible to achieve a learning culture only by sharing a direct, dynamic and compelling vision of the place of UNDP in the next millennium. For that, UNDP will need to communicate its vision clearly - both internally and externally.

53. In the uncertain situation facing multilateralism and, therefore, UNDP, survival depends on the ability to find innovative solutions to the serious problems of dwindling resources, increasing competition, and more sophisticated client demands. Learning opportunities should be infused into every staff job throughout the organization and not confined to the programmatic purview of the LRC or OHR. For example, systems-learning laboratories, learning networks devoted to areas of thematic UNDP concern and innovative ways to harness the potential of the Internet and intranet for promoting SHD goals should become the norm. In this way, real value-added will be ensured for the work of UNDP; mere fascination with information technology will not advance the organization.

54. Knowledge management is not to be equated with organizational learning. Organizational learning takes place whenever knowledge is applied to the achievement of organizational objectives. For UNDP to become a learning organization requires more than a mountain of knowledge and a promise to provide 5 per cent staff time to be devoted to its assimilation. UNDP 2001 has resulted in attempts to simplify and reduce the massive amount of paper produced although those efforts seemed to have been largely autonomous, not conducted in the context of a top-down, organizationally inclusive re-engineering thrust.

55. Finally, learning must be all-pervasive, totally inclusive and sustained. In contrast to the change management process, total re-engineering should be the first order of business so as to provide a rationale for the identification of requisite staff competencies needed to perform identified core processes. While evidence of learning is visible in many areas (SHD, gender, human rights, global and national human development reports), there is currently no systematic means of assessing its overall organizational impact. UNDP should consider elevating the Learning Advisory Board so that it can play a central role in organizational learning under the chairmanship of the Associate Administrator, bringing together strategic organizational initiatives and resource commitments.

C. Culture and change

56. The idea of setting a finite date for the end of the change management process in December 1999 was somewhat unrealistic given that the process was

initiated only in 1997: the adage that change is constant applies equally to UNDP. Experience dictates that successful organizational change comes about through a total and continuous commitment with adequate resources to sustain the effort. The challenge for the organization is how to stay ahead in an ever-changing external environment.

57. In understanding the challenges faced by those who sought to engineer change in UNDP, it is crucial to recognize the deeply rooted, complacent culture of an organization based on entitlement that carried out a central coordinating and funding role within the United Nations system. Those are not the attributes of an organization that needs to stay ahead in a competitive market.

58. The participatory approach adopted in launching UNDP 2001 was impressive and has provided some valuable momentum. While the Administrator and the small team around him were dedicated to changing UNDP, they somehow did not succeed in building in-house leadership that was strong, broad-based and committed. The date of his departure imposed enormous pressures on the organization to make progress and show results in a totally unrealistic time-frame. The organization had been through many adjustment scenarios and budget cuts in the preceding years and in the opinion of many, staff had become impervious to the arguments for change. The sense of urgency that would normally fuel a change strategy was not widely appreciated. The centrifugal tendencies or diverse power centres in headquarters became points of resistance, hence the commitment of corporate leadership necessary to bring about sustainable organizational change was a missing element. Negotiations on change were often defensive and parochial, protecting unit positions while trying to stave off budget cuts. The culture of autonomy prevailed. Therein lies an organizational dilemma since the implementation of UNDP 2001 ultimately depends on the commitment of the line units. In that sense, it was premature to disband the Change Management Committee, which assembled cross-organizational representation to monitor, motivate and ensure sustainability. The idea of identifying and building a leading coalition for change across the organization still merits consideration.

59. Greater attention must therefore be paid to re-engineering that will adapt general principles to the circumstances. The entrepreneurial spirit needs to be unleashed to take advantage of the changing environment, the organization must become less risk-averse, seizing opportunities to experiment, demonstrating skills and competencies to provide options and development services to meet the unique needs of individual programme countries.

60. While there are inherent difficulties in any change process, there is no doubt that UNDP is now in a better position to appreciate the challenges of and opportunities for change. Furthermore, decisive, clear leadership by a committed team will exploit the positive aspects of change management and will allow the organization to overcome the multitude of challenges as it advances into the twenty-first century with a course set on finding its niche in the development world.

Notes

[1] The full text of the report is available on request, in the language of submission, from the Executive Board secretariat.

UNITED
NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/2000/4
30 November 1999

ORIGINAL: ENGLISH

First regular session 2000
24-28 and 31 January 2000, New York
Item 4 of the provisional agenda
UNDP

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS
COMPREHENSIVE REVISION OF THE FINANCIAL REGULATIONS AND RULES

Report of the Administrator

SUMMARY

In the present report, the Administrator circulates to the Executive Board the revised UNDP Financial Regulations and Rules (see annex) and provides information about the objectives pursued and the process followed during the comprehensive revision of the UNDP Financial Regulations and Rules. In addition, the Administrator seeks the approval of the Executive Board for the proposed revised Financial Regulations.

The Executive Board may wish to:

(a) Approve the proposed revised Financial Regulations contained in the annex to the present report;

(b) Note the proposed revisions to the Financial Rules contained in the annex to the present report;

(c) Request the Administrator to ensure that any proposed decision submitted to the Executive Board by UNDP that is expected to affect the UNDP Financial Regulations and Rules be accompanied by the proposed revised text of the relevant Regulation and/or Rule.

I. INTRODUCTION

1. The present report provides a description of the process leading to the comprehensive revision of the UNDP Financial Regulations and Rules and sets out the changes made to the UNDP Financial Regulations and Rules and the rationale for those changes. The annex below contains the text of the revised UNDP Financial Regulations and Rules. A table prepared by the United Nations Office of Legal Affairs comparing the current Regulations (UNDP/FIN REG & RULES/Rev.1 and Rev.2) with the proposed revised Regulations and comments of the Office of Legal Affairs is contained in document DP/2000/CRP.5.

2. The Administrator seeks the approval of the Executive Board for the proposed revised Financial Regulations. To that end, the Administrator has submitted all proposed revisions to the current Financial Regulations to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for its consideration and comments. The United Nations Board of Auditors has also scrutinized the proposed new Financial Regulations and Rules. A recommendation for Executive Board action is contained in chapter VII.

II. STEPS FOLLOWED DURING THE COMPREHENSIVE REVISION

3. At the third regular session 1997, the Administrator reported to the Executive Board in document DP/1997/24 that revised Financial Regulations and Rules would be presented in 1998, as a result of the adoption by the Executive Board of the successor programming arrangements (decisions 95/23 and 96/7) and budget harmonization (decision 97/6).

4. During the preparatory work, it appeared that, in addition to an interim update of some Financial Regulations and Rules, the entire document would benefit from an in-depth revision. The comprehensive revision would reflect the new framework of authority and accountability over financial management arising out of the UNDP 2001 change process, the results of the financial risk assessment completed in 1998, the impact of the reform proposals of the Secretary-General being implemented by UNDP, and other necessary adjustments.

5. In its decision 98/18, the Executive Board approved the interim update of the Financial Regulations. Those interim changes, which are now incorporated in and, therefore, superseded by the comprehensive revision, included a revised structure for UNDP Financial Regulations and Rules as well as changes to the Financial Regulations relating to the harmonized biennial support budget, cost-sharing contributions from non-governmental sources, and the procurement function in UNDP.

6. To ensure that the needs and concerns of all UNDP operational units, at headquarters and in country offices, would be taken into consideration in the comprehensive revision of the Financial Regulations and Rules, internal consultations have taken place at all stages of the process. The United Nations Board of Auditors and the United Nations Office of Legal Affairs were also consulted from the early stages of the project. In addition, a parallel review of all UNDP financial procedures was conducted, with the active participation of many country office staff members, thus allowing the Administrator to identify

some key policy issues, which have been reflected in the revision of the Financial Rules.

7. The proposed comprehensive revision of the Financial Regulations and Rules introduces both editorial and substantive changes. Editorial changes include modifications made to the structure of the document, to the presentation of the information, as well as to the terminology. Substantive changes include both updates incorporated to reflect past decisions made by the Executive Board and policy changes already introduced by the Administrator, as well as new policies for which no clear mandate or policies exist yet and for which the Administrator is seeking the endorsement of the Executive Board.

III. PROPOSED EDITORIAL REVISIONS

New structure

8. The structure of the current Financial Regulations and Rules - 9 chapters and 17 articles - does not facilitate the use of the document. Subjects of a similar nature are addressed in different chapters and articles tend to mix unrelated policies.

9. The proposed new structure of the document, with 8 chapters and 27 articles, aligns the Financial Regulations and Rules with the main management functions used by UNDP to receive, allocate, spend and account for both its regular and other resources. The new structure provides a more logical organization of the information and greater clarity in the lines of accountability for the respective management functions. For example, policies governing the utilization of UNDP resources by executing entities are grouped under a specific chapter and a consistent set of Articles, whereas in the current document, those Financial Regulations and Rules are distributed in different chapters.

Hierarchy between Regulations and Rules

10. Regulations are the policies and mandates determined by the Executive Board to establish the framework within which the Administrator operates; Rules are the operational policies determined by the Administrator for UNDP for the implementation of the Regulations.

11. The review of the current UNDP Financial Regulations and Rules has shown that, in many instances, authority is not placed at the appropriate level, with authorities belonging to the Executive Board framed in Financial Rules and some authorities of the Administrator placed at the Regulation level. In the proposed revision, appropriate adjustments have been made to ensure that the formal hierarchy between Regulations and Rules has been respected.

12. As a result, it is proposed that the content of certain current Financial Rules be upgraded to the level of Regulations:

(a) Rule 101.1 (b) on applicability (now in revised Financial Regulation 2.02);

(b) Rule 104.5 on reporting on utilization difficulties of currencies (now in revised Financial Regulation 5.11);

(c) Rule 104.8 on contributions towards country office costs (now in revised Financial Regulation 9.01);

(d) Rule 104.12 on currency of cost-sharing contributions (now in revised Financial Regulation 5.04);

(e) Rule 108.2 on preparation and consideration of regional programmes (now in revised Financial Regulation 12.05);

(f) Rule 108.3 on resources available for country and regional programming (now in revised Financial Regulation 11.01);

(g) Rule 108.9 on the revision of global projects (now in revised Financial Regulation 18.03);

(h) Rule 108.10 on projects requiring Executive Board approval (now in revised Financial Regulation 16.01);

(i) Rule 108.14 on selection of an executing entity (now in revised Financial Regulation 17.01);

(j) Rule 108.20 (a) and (b) on suspension or termination of UNDP programme activities (now in revised Financial Regulation 17.06);

(k) Rule 109.5 on budgetary contingency provisions (now in revised Financial Regulation 13.10);

(l) Rule 114.27 (b) on management and other support services (now in revised Financial Regulation 9.03);

(m) Rule 114.34 on ownership of property (now in revised Financial Regulation 24.02);

(n) Rule 117.1 on biennial audit (now in revised Financial Regulation 16.07).

13. Conversely, it is proposed that the current Financial Regulation 8.11, dealing with the time at which UNDP approval of programme activities become effective and the current Financial Regulation 8.10 (e) (i) to (v), dealing with the conditions for the selection of governmental, intergovernmental and non-governmental institutions as executing entities, be deleted and replaced by corresponding rules.

14. In addition, in line with efforts to decentralize authority to the appropriate levels, certain authorities contained in the current Financial Rules have been removed from the document and incorporated into the relevant UNDP procedural manuals (dealing with programming, finance, or administration). This is the case of most dollar limits, which will now be under the full oversight of the Associate Administrator and Assistant Administrators in charge of corporate

functions, as delegated to them by the Administrator. Current Rules 108.11 on the delegation of authority to approve UNDP programme activities, 108.13 on the content of agreements with executing entities, 114.7 on the receipt and deposit of moneys, and 114.9 on petty cash advances have also been incorporated into the relevant UNDP manual.

Terminology

15. The terminology of the Regulations and Rules has been updated to reflect the way UNDP business operations have evolved and to ensure consistency in expressions used throughout the document. "Programme country" replaces "recipient Government" and "requesting Government"; "executing entity" replaces "executing agency"; "UNDP programme activities" replaces "UNDP assistance", "UNDP technical cooperation" and "UNDP project"; "regional" replaces "intercountry"; "UNDP mandate" replaces "UNDP purpose", "UNDP aim" and "UNDP objectives".

16. The terminology adopted in Executive Board decision 97/6 on the harmonized budget presentation as contained in document DP/1997/2, and in Executive Board decision 95/23 on the successor programming arrangements has also been introduced throughout the document. Definitions of committing officer, liquidity, UNDP programme activities, verifying officer, voluntary contribution, and working capital have also been introduced.

IV. PROPOSED SUBSTANTIVE CHANGES FOR WHICH MANDATES EXIST

New mechanism for voluntary contributions to UNDP regular resources

17. Revised Regulation 6.07 reflects Executive Board decision 98/23 regarding a UNDP funding strategy, in particular with respect to the designation of the second regular session of the Executive Board as the time when all member countries would announce their voluntary contributions to UNDP for the coming year and, to the extent possible, subsequent years.

Resource planning frameworks

18. The implementation of both the successor programming arrangements and the multi-year funding framework adopted by the Executive Board in its decision 98/23 implies a change in the financial planning frameworks used by the Administrator. The revised chapter D - Resource Planning and Financial Authorization - incorporates the policy changes approved in this context. In particular, revised Regulation 10.02 reflects a four-year fixed financial framework that enables the alignment of the years covered by the biennial support budget, the multi-year funding framework, and the country cooperation framework periods.

Execution modalities

19. Over the past years, the shift to national execution has changed the nature of the relationship between the various parties involved in carrying out UNDP programme activities. The current UNDP Financial Regulations and Rules, however,

still reflect the earlier situation in which execution was predominantly undertaken by the United Nations specialized agencies. The Financial Regulations and Rules have, therefore, been updated to take into account national execution as well as other emerging execution modalities.

20. Chapter E - Utilization of UNDP Resources by Executing Entities - now reflects the importance of national execution and the changing role played by organizations of the United Nations system in the implementation of UNDP programme activities.

21. Direct execution has also been placed within a more clearly defined accountability framework. In particular, and in accordance with Executive Board decisions 94/28 and 98/2, revised Regulation 17.05 provides that UNDP shall be designated as executing entity only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for the effective delivery of UNDP programme activities. In revised Rule 117.03, the Administrator specifies that UNDP shall limit its role as executing entity to countries in special development circumstances and sets the delegation of authority for the approval of the direct execution modality. While the Administrator recognizes that the latter limitation was set by the Executive Board in the text of its decision 98/2, in order to allow the Administrator to use direct execution in a situation created by operational exigencies, it is proposed that this specific limitation be maintained at the Rule level.

Framing of the respective authorities of UNDP corporate functions

22. The current Financial Regulations and Rules in many instances lack clarity about the various lines of accountability and delegation of authority from the Administrator through the Associate Administrator and Assistant Administrators to the UNDP staff authorized to act on behalf of the organization.

23. At the Regulation level, revised Regulations 2.01, 3.01, 5.01, 10.01, 21.01, 24.01, and 25.01 specify the overall responsibility and accountability of the Administrator for each broad management function of UNDP.

24. At the Rule level, direct delegation of authority by the Administrator to the Associate Administrator and to specific Assistant Administrators are described for internal control (revised Rules 103.01 and 103.02); mobilization of other resources (revised Rules 107.01 and 108.01); resource planning and allocation (revised Rule 110.01); utilization of resources by executing entities (revised Rules 116.02 and 117.01); commitment of funds (revised Rule 120.01); procurement (revised Rule 121.01); verification for payments (revised Rule 122.01); assets management (revised Rule 124.01); cash management (revised Rule 125.01); and accounting (revised Rule 126.01).

Simplified resource-assignment process for selected countries

25. In some countries and territories eligible to benefit from UNDP programme activities, and in particular in small island countries, to which relatively modest levels of regular resources are assigned, the traditional formulation and approval process leading to the approval of the country cooperation framework

has proven to place a disproportional burden on both the Governments and UNDP country offices.

26. It is therefore proposed that, through revised Regulation 12.02 (c), the Administrator be authorized to simplify the preparation and approval process of country cooperation frameworks for those countries and territories eligible to receive UNDP resources for which the assigned level of TRAC-1 resources is below a threshold to be set by the Administrator.

Cost-recovery

27. In its decision 98/2, the Executive Board provides the principles to guide cost-recovery by UNDP for services rendered by the organization to support national execution. The revised Financial Regulations and Rules incorporate those principles and expand the scope of cost-recovery to include the support services provided by UNDP to activities financed by organizations of the United Nations system and for which no provision exists in the UNDP biennial support budget.

28. It is therefore proposed that, through revised Regulations 15.01 to 15.03, the Administrator be authorized to provide such support services and to make adequate arrangements for the reimbursement of related costs incurred by UNDP.

Payment of execution fees to non-governmental organizations

29. In current Regulation 8.10 (f), only executing entities authorized by the Executive Board may be reimbursed for their support costs. While this Regulation, now numbered as revised Regulation 18.06, regulates the support-cost arrangements for organizations of the United Nations system, the principles governing the reimbursement of actual costs associated with the implementation of UNDP programme activities under other execution modalities are not clearly articulated in the current Financial Regulations and Rules.

30. It is therefore proposed, with a view to accommodating the practice of payments by UNDP of an execution fee under the non-governmental organization execution modality, that, through revised Regulation 18.06, the Administrator be authorized to reimburse to entities outside of the United Nations system the costs associated with the implementation of UNDP programme activities. Revised Rule 118.05 explicitly maintains the policy whereby executing entities of a programme country Government are not eligible for the reimbursement of such costs.

Revised policy on expenditure control

31. In order to strengthen the control systems of UNDP and to mitigate financial risks, the expenditure control processes in UNDP must be adjusted to the greater decentralization of many authorities. The Administrator has introduced a new policy on expenditure control to assist UNDP staff members to whom financial authority has been delegated.

32. The aim of the new policy is to simplify the expenditure control processes and at the same time clarify the assignment of responsibilities and strengthen

the separation of duties for every given financial transaction, undertaken by the various staff members who have been authorized to act on behalf of the organization.

33. At the Regulation level, revised Regulation 20.02 explicitly establishes the separation of duties between staff members to whom financial authorities have been delegated as the basis for internal control. The proposed revised Financial Regulations also clarify the purposes of the three distinct functions of commitment of funds (revised Regulation 20.03), verification for payments (revised Regulation 22.01) and receipt and disbursement of funds (revised Regulation 25.02).

34. The revised Financial Rules describe further the initial delegation of those financial authorities from the Administrator to the Chief Procurement Officer and to the relevant officials responsible for financial management. Principles relating to the responsibilities of each one of the new functions of committing officers (replacing certifying officers), verifying officers (replacing approving officers) and disbursing officers (replacing signatory panels) are also described in revised Financial Rules 120.01, 122.01, 122.02, 125.03.

New procurement framework

35. Procurement is a major area of focus in the common services initiative included in the reform proposals of the Secretary-General. The working group on procurement, established under the Inter-Agency Task Force on Common Services, has developed a set of harmonized procurement-related regulations and rules. Overall, the proposed revised Regulations and Rules place a greater emphasis on the overall guiding principles for procurement while providing a greater authority for the Chief Procurement Officer to develop specific procurement procedures.

36. The Regulations and Rules proposed by the United Nations working group have been integrated into the UNDP Financial Regulations and Rules, with minor amendments necessitated by conditions specific to UNDP. For example, a clear delineation of authority has been introduced between the authority to procure services rendered by individuals in direct contract with UNDP (i.e., special service agreements and reimbursable loan agreements), delegated directly to the head of personnel services, and the authority to procure goods and other services, delegated to the Chief Procurement Officer.

Other resources reserve

37. Revised Regulation 25.06 (b) reflects Executive Board decision 99/9 regarding the establishment of a reserve for other resources activities.

Increased dollar limits

38. It is proposed, in revised Regulation 23.01, to increase the authority of the Administrator to approve ex gratia payments up to $50,000 (compared to the current limit of $40,000) to take inflation into consideration.

39. As noted in paragraph 14, a number of authorities limited by the specific amount involved have been moved to the level of procedures; certain dollar limits have, however, been maintained at the level of Rules in order for the Administrator to continue to exercise strict control. Revised financial limits have been introduced to take into account inflationary factors. In revised Rules 126.13 and 126.16, the Administrator specifies that any write-off of losses in excess of $100,000 shall be submitted to him and sets the amount authorized for waiver of investigation on a write-off at $1,000. In revised Rule 126.10, the Administrator asks that adjustments above $50,000 on financially completed projects be submitted to the Assistant Administrator, Bureau for Financial and Administrative Services.

V. PROPOSED SUBSTANTIVE CHANGES FOR WHICH NO CLEAR MANDATE EXISTS

Grant modality

40. Under the current Financial Regulations and Rules, for UNDP to enter into a direct partnership with an institution and provide resources to such institution, an executing entity agreement governed by UNDP policies on the designation of executing entities, or a regular contract governed by UNDP policies regarding procurement of services must be signed.

41. In some instances, particularly time-bound efforts in the country cooperation framework, neither of the above two modalities is fully suitable, e.g., for the preparation of the national human development report by a specific national research institute or the strengthening of the capacities of a specific institution asked to play an active role in the implementation of a larger programme activity. In such cases, UNDP must either develop a small stand-alone project, channel funds through the executing entity of another programme activity, or follow a lengthy and sometimes inappropriate process to request a waiver of competitive bidding. In all cases, this results in implementation delays and in a heavy and costly administrative process.

42. To avoid those situations, the Administrator proposes the establishment of a new type of partnership agreement through expanding the use of the existing grant modality. This proposal is consistent with the emphasis placed on the role of UNDP in leveraging partnerships in programme countries and is also motivated by the successful implementation of the Global Environment Facility Small Grant Programme.

43. The current Regulation 8.12 authorizes the Administrator to incorporate micro-capital grants to UNDP programme activities. It is proposed, through revised Regulation 19.01, to authorize the Administrator to expand the scope of the grant modality beyond micro-capital grants and to incorporate grants to governmental and non-governmental organizations (excluding commercial and other for-profit entities) into UNDP programming activities, with the approval of the Government.

44. Revised Rule 119.01 spells out the proposed delegation of authority and reporting mechanism for such grants. Detailed procedures will be established to ensure a collegial selection process of the grant beneficiaries and phased

payment of each grant based on the achievement of expected results, in line with the UNDP results-based management policy.

Non-governmental organization execution

45. As the Administrator informed the Executive Board in DP/1997/CRP.8, UNDP has expanded, with government agreement, the use of non-governmental organizations for the execution of UNDP programme activities where this modality presented advantages for UNDP-assisted programmes. While the mandate to use this new execution modality is embedded into the current Regulation 8.10 (e), the Office of Legal Affairs has advised that UNDP seek confirmation of its mandate. To that end, it is proposed that, through revised Regulation 17.04, the Administrator be authorized to select an intergovernmental or non-governmental organization as executing entity, provided it has operational and managerial capacity, can provide the needed services in a cost-effective manner, and can ensure its accountability to the Administrator. Other conditions under which non-governmental execution would be authorized have been included in revised Financial Rule 117.04 and in the new Programming Manual, where adequate procedures for non-governmental organization execution have been developed.

Limited authority to advance regular resources

46. The Executive Board has instructed UNDP that cost-sharing contributions (in current Regulation 4.15 (b)) and trust funds contributions (in current Regulation 5.2) shall be paid in advance of the implementation of the relevant UNDP programme activities. The principle that other resources can be accepted only on a fully funded basis has proven in certain cases to be an obstacle to effective programme implementation. Donors often request the flexibility from UNDP to start the implementation of the activities ahead of the actual payment of the contributions.

47. It is therefore proposed, through revised Regulation 16.03, that the Administrator have a limited authority to advance funds from regular resources prior to the receipt of anticipated contributions to other resources, to the extent that such advances, in the event of default, could be covered by the regular resources available for programming under that respective country, regional or global cooperation framework.

Authority to establish credit facilities

48. In the course of its normal operations, UNDP needs to deal with organizations that require credit arrangements, such as internal lines of credit with commercial banks for UNDP to operate on the financial markets. In revised Regulation 25.08, it is proposed that the Administrator be authorized to establish such credit facilities, which will be fully collateralized so as to avoid any borrowing of resources.

VI. IMPLEMENTATION OF THE REVISED FINANCIAL REGULATIONS AND RULES

49. Should the Executive Board wish to approve the Financial Regulations, the Administrator will then issue the proposed revised Financial Rules, in accordance

with revised Financial Regulation 2.02.

50. The Administrator believes that the proposed comprehensive revision will increase the user-friendliness of the Financial Regulations and Rules and further strengthen the internal control and accountability of UNDP.

51. The release of the revised Financial Regulations and Rules, followed by the release of a revised Finance Manual, will be supported by learning instruments enabling UNDP staff members to grasp quickly the nature of the changes introduced and to comply with the new financial policies.

52. As a measure to facilitate the continuous updating of the Financial Regulations and Rules and accompanying procedures, it is proposed that any Executive Board decision that has an impact on UNDP Financial Regulations and Rules be accompanied by the respective proposed changes in the relevant Financial Regulations and/or Rules.

VII. EXECUTIVE BOARD ACTION

53. The Executive Board may wish to:

1. Approve the proposed revised Financial Regulations contained in the annex to the present report;

2. Note the proposed revisions to the Financial Rules contained in the annex to the present report;

3. Request the Administrator to ensure that any proposed decision submitted to the Executive Board by UNDP that is expected to affect the UNDP Financial Regulations and Rules be accompanied by the proposed revised text of the relevant Regulation and/or Rule.

Annex

UNDP REVISED FINANCIAL REGULATIONS AND RULES

Revised UNDP Financial Regulations and Rules

Chapter A. Applicability
Article 1. Applicability

Chapter B. Accountability
Article 2. Accountability
Article 3. Internal control
Article 4. External audit

Chapter C. Resources
Article 5. General framework
Article 6. Voluntary contributions to regular resources
Article 7. Cost-sharing contributions to other resources
Article 8. Trust fund contributions to other resources
Article 9. Other contributions and income

Chapter D. Resource Planning and Financial Authorization
Article 10. General framework
Article 11. Programme activities: Distribution of resources
Article 12. Programme activities: Resource assignment
Article 13. Biennial support budget: Submission and approval
Article 14. Biennial support budget; appropriations
Article 15. Support services

Chapter E. Utilization of Resources by Executing Entities
Article 16. General framework
Article 17. Designation, selection and termination of the executing entity
Article 18. Financial oversight of the executing entity functions
Article 19. Grants

Chapter F. Utilization of Resources by UNDP
Article 20. General framework
Article 21. Procurement of goods and services
Article 22. Verification for payments
Article 23. Ex gratia payments

Chapter G. Administration of Resources
Article 24. Assets management
Article 25. Cash management
Article 26. Accounting
Chapter H. Definitions
Article 27. Definitions

Chapter A – Applicability

Article 1 – Applicability

Regulation 1.01

These Regulations shall govern the financial management of the United Nations Development Programme (UNDP) and shall, unless otherwise provided by the General Assembly or the Executive Board or as otherwise specified in these Regulations and the annexes thereto, apply to all resources administered by UNDP and to all the Funds and Programmes administered by the Administrator.

Regulation 1.02

Amendments and exceptions to these Regulations may be made only by the Executive Board, after review by the Advisory Committee on Administrative and Budgetary Questions.

Regulation 1.03

These Regulations shall become effective on 1 April 2000.

Regulation 1.04

In regard to any matter not specifically covered by these Regulations, the appropriate provisions of the United Nations Financial Regulations shall apply.

Regulation 1.05

(a) Unless otherwise specified in (b) below, the UNDP Financial Regulations and Rules shall apply to all resources administered by the United Nations Capital Development Fund, by the United Nations Revolving Fund for Natural Resources Exploration, by the United Nations Fund for Science and Technology for Development, by the United Nations Development Fund for Women and by the United Nations Volunteers programme.

(b) Additions or amendments to the UNDP Financial Regulations and Rules, which shall be applicable to the United Nations Capital Development Fund and to the United Nations Revolving Fund for Natural Resources Exploration and which are necessary in order to take account of the special requirements of their operations, are contained in the relevant annex to the UNDP Financial Regulations and Rules;

(c) The UNDP Financial Regulations and Rules are not applicable to

the United Nations Population Fund, which operates under its own Financial Regulations and Rules as approved by the Executive Board.

(d) The UNDP Financial Regulations are not applicable to the United Nations Office for Project Services, which operates under its own Financial Regulations, which are annexed to the UNDP Regulations and Rules.

Rule 101.01

(a) These Rules shall apply to the financial administration of all activities of UNDP except as may otherwise be provided by the General Assembly or the Executive Board.

(b) In regard to any matter not specifically covered by these Rules, the appropriate provisions of the United Nations Financial Regulations and Rules shall apply.

Chapter II - Accountability

Article 1 - Accountability

Regulation 2.01

The Administrator of UNDP is fully responsible and accountable to the Executive Board for all phases and aspects of UNDP activities.

Regulation 2.02

(a) The Administrator shall issue detailed Financial Rules and procedures in order to ensure effective financial administration and the exercise of economy; the Administrator shall circulate the Financial Rules to the members of the Executive Board for information at least 30 days before they become effective;

(b) The Administrator may amend the Financial Rules and shall circulate amendments to these Rules to the members of the Executive Board for information at least 30 days before they become effective;

(c) The Administrator may, when he/she deems it necessary, suspend the application of any of these Financial Rules and shall circulate suspensions of these Rules to the members of the Executive Board for information as soon as they become effective.

Regulation 2.03

There shall be established UNDP Accounts to which all resources administered by UNDP and receivable in cash shall be credited and against which all expenditures on behalf of UNDP shall be charged.

Regulation 2.04

The financial period for the purpose of both the proposed utilization

of resources and the incurring of and accounting for expenditures in respect of the biennial support budget shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year.

Rule 102.01

(a) Powers and responsibilities delegated by the Administrator to other UNDP staff shall follow these Rules. A record of such delegations shall be maintained by the Assistant Administrator, Bureau of Management.

(b) The Assistant Administrator, Bureau of Management, shall be responsible, on behalf of the Administrator, for the administrative maintenance of these Regulations and Rules, including any application of the United Nations Financial Regulations and Rules.

(c) The Assistant Administrator, Bureau of Management, shall issue such instructions or establish such procedures as she/he may deem necessary for the administration of these Rules.

Rule 102.02

All personnel of UNDP are responsible to the Administrator for the regularity of actions taken by them in the course of their official duties. Any personnel who take any action contrary to these Financial Rules or to the instructions which may be issued in connection therewith may be held personally responsible and financially liable for the consequences of such action.

Article 3.: Internal control

Regulation 3.01

The Administrator shall maintain an internal financial control mechanism which shall provide for an effective current examination and review of financial, management and operational activities, in order to ensure:

(a) The regularity of the receipt, custody and disposal of all financial resources administered by UNDP;

(b) The conformity of commitments and expenditures with the allocations, appropriations or other financial provisions decided upon by the Executive Board, with allocations decided upon by the Administrator or with agreements with other United Nations organizations and other entities;

(c) The effective and efficient management of UNDP and the effective, efficient and economic use of all resources administered by UNDP.

Rule 103.01

Unless specified otherwise in these financial Rules, authority and responsibility to issue instructions and establish procedures for the implementation of these Regulations and Rules are delegated by the

Administrator to:

(a) The Associate Administrator for chapter E of these Financial Regulations and Rules governing the utilization of resources by executing entities;

(b) The Assistant Administator, Bureau for Resources and Strategic Partnerships, for chapter C of these Financial Regulations and Rules governing the mobilization of resources;

(c) The Assistant Administrator, Bureau of Management, for chapters D, F and G of these Financial Regulations and Rules governing, respectively, resource planning and financial authorizations, the utilization of resources by UNDP and the administration of resources.

Rule 103.02

The Office of Audit and Performance Review shall be responsible for the internal audit of UNDP and shall have free access to all books, records and other documents which are, in its opinion, necessary for the performance of the audit. Its reviews shall be conducted in accordance with generally accepted auditing standards, shall provide comments and recommendations to the Administrator on financial, management and operational activities, in respect of:

(a) The regularity of the receipt, custody, expenditure, accounting and reporting of all financial resources administered by UNDP, and the effectiveness of existing internal controls and accounting systems;

(b) The conformity of expenditures with the purposes for which funds were appropriated or otherwise provided by the Executive Board and the financial authorizations issued thereunder, or with the purposes and Rules relating to other funds administered by UNDP or with agreements with other United Nations organizations and other entities;

(c) The compliance of all financial activities and transactions with established regulations, rules, policies, procedures and administrative instructions;

(d) The effective and efficient management of UNDP and the effective, efficient and economic use of UNDP resources, funds administered by UNDP and non-UNDP funds administered by UNDP.

Article 4 : External audit

Regulation 4.01

The External Audit provisions of Article XII of the United Nations Financial Regulations have been annexed to these Regulations and shall apply to UNDP, except that:

(a) The reports of the Board of Auditors, together with the audited financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the Members of the Executive Board;

(b) Organizations of the United Nations system and the United Nations

Office for Project Services, entrusted with the execution or implementation of UNDP programme activities shall transmit to the Administrator, for submission to the Executive Board, biennial accounts showing the status of funds allocated to them by the Administrator. Such accounts shall bear audit certificates from the External Auditors of the organizations and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;

(c) In submitting the above biennial accounts to the Executive Board, and as part of the comments submitted with the audited financial statements of UNDP, the Administrator shall comment on the Auditors' substantive observations and on their follow-up.

Chapter C: Resources

Article 5: General framework

Regulation 5.01

(a) The Administrator is responsible for mobilizing effectively and efficiently UNDP resources in furtherance of the mandate and activities of UNDP.

(b) The Administrator may delegate authority, as appropriate, for the mobilization of resources.

Regulation 5.02

Contributions may be accepted by UNDP from Governments of States Members of the United Nations, of the specialized agencies and of the International Atomic Energy Agency, as well as from those organizations and agencies. Contributions may also be accepted from any other intergovernmental, non-governmental, or private sector sources subject to such conditions and criteria as the Executive Board and the Administrator may establish.

Regulation 5.03

(a) The Administrator may indicate to the contributing party the currency or currencies required for UNDP activities.

(b) Contributions in cash shall be denominated in United States dollars; however, the Administrator may accept payment in the local currency of the contributing party to the extent the Administrator considers that such currency could be used to meet operational requirements.

Regulation 5.04

Should the Administrator agree to accept payment of a contribution in a currency other than United States dollars, the recorded contribution shall be adjusted by any consequent identifiable loss or gain on exchange, unless, in the case of loss, the contributing party agrees to reimburse it.

Regulation 5.05

Where the purpose of the contribution is the general support of UNDP and no limitations are imposed by the contributor as to its use, the monies or in-kind provisions received shall be credited to the UNDP Regular Resources Account.

Regulation 5.06

Where the contribution is for specific purposes consistent with the policies, aims and activities of UNDP, the contributions received shall be credited to the UNDP Other Resources Account and shall be treated under the provisions of Article 7, 8 or 9 below, as appropriate.

Regulation 5.07

Contributions to other resources shall be subject to the following conditions:

(a) Contributions shall be paid pursuant to an agreement made between the contributor and the Administrator;

(b) Contributions shall be paid in advance of the allocation made for the implementation of planned UNDP programme activities, except as provided by Regulation 16.03 below;

(c) Additional costs incurred by UNDP in administering the contribution shall be fully covered from the contribution.

Regulation 5.08

In cases of default by a contributor of payment of part or all of a contribution to UNDP other resources, or in the case of unforeseen contingencies, the resources available for UNDP programme activities at the country level or at the respective regional level shall be charged with those costs which would otherwise have been financed from the contribution to other resources.

Regulation 5.09

The Administrator shall report annually to the Executive Board on all contributions received from each contributor, including from non-governmental sources.

Regulation 5.10

Entities headquartered in a net contributor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased for the programme activities only in the currency of that country where such a currency is accumulated and until such accumulation is used; conversely, if when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in a convertible currency.

Regulation 5.11

The Administrator shall provide annually information to the Executive Board on any difficulties encountered in fully utilizing the currencies available to UNDP, together with any additional information requested by the Executive Board on currency utilization.

Article 6. Voluntary contributions to regular resources

Regulation 6.01

The overall target for voluntary contributions shall be established by the Executive Board.

Regulation 6.02

Voluntary contributions may be pledged either on a multi-year or on an annual basis.

Regulation 6.03

Voluntary contributions and other contributions to regular resources shall be made without limitation as to use by a specific executing entity, in a specific programme country or region, or for specific UNDP programme activities. No contributing Government shall receive special treatment with respect to its voluntary contribution, nor shall negotiation take place for the use of currencies contributed to UNDP between contributing Governments and programme countries.

Regulation 6.04

Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations.

Regulation 6.05

Without prejudice to the annual pledging conference convened by the Secretary-General, a special UNDP funding meeting will be convened on an annual basis within the context of the second regular session of the UNDP/UNFPA Executive Board, at which voluntary contributions to UNDP regular resources will be formally announced. This funding meeting will be the time when all member States would:

(a) Announce their voluntary contributions to UNDP as follows: a firm funding commitment for the current year; for those in a position to do so, a firm contribution or indication of the contribution for the following year; and a firm or tentative contribution for the third year;

(b) Announce payment schedules for the current year, taking into

account that early payments are encouraged;

(c) Review the past payments of contributions to UNDP regular resources and government contributions to local office costs made in the previous calendar year as well as the timing of the payments.

Article 7 - Cost-sharing contributions to other resources

Regulation 7.01

The Administrator is authorized to enter into cost-sharing agreements provided these have been agreed by the programme country or countries, subject to such principles as the Executive Board may establish.

Rule 107.01

The authority to mobilize cost-sharing resources is delegated to the Associate Administrator, who may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in programme countries.

Rule 107.02

Cost-sharing contributions shall be set forth in the project document or programme support document and/or in an agreement with the contributing party. These contributions shall be due in advance of the related expenditures according to a schedule of payments agreed to in writing by UNDP.

Rule 107.03

Any unexpended cost-sharing contributions remaining after the related UNDP programme activities are financially completed shall be disposed of by UNDP in accordance with the agreement under which the contribution is made.

Article 8 - Trust fund contributions to other resources

Regulation 8.01

Trust funds may be established by the Executive Board or by the Administrator for specified purposes consistent with the policies, aims and activities of UNDP. Trust funds which directly or indirectly involve additional financial liability for UNDP shall be established only by the Executive Board.

Regulation 8.02

The Administrator shall issue guidelines for the establishment and administration of trust funds. To ensure cost-effective administration of trust funds, the Administrator may determine a minimum contribution level below which he/she may refuse the establishment of a trust fund.

Regulation 8.03

The Administrator may establish trust funds at the request of the

Secretary-General to provide assistance in responding to resolutions of the Security Council or the General Assembly.

Rule 108.01

(a) Each trust fund shall be established either on the basis of a written agreement signed on behalf of UNDP and one or more contributors or by the issuance of terms of reference for the trust fund concerned in anticipation of receipt of contributions from prospective contributors.

(b) The authority to mobilize trust fund resources, including the authority to sign trust fund agreements and to issue terms of reference for trust funds, is delegated to the Associate Administrator, who may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in programme countries.

(c) Unless otherwise provided by the Executive Board, the trust fund and activities financed therefrom shall be administered in accordance with the applicable UNDP regulations, rules and directives.

Rule 108.02

Any unexpended trust fund contributions remaining after the related UNDP programme activities are financially completed shall be disposed of by UNDP in accordance with the agreement under which the contribution is made.

Article 9. Other contributions and income

Regulation 9.01

Host Government contributions to the costs of UNDP country offices.

(a) The Administrator shall arrange for the collection from host Governments of their contributions in cash and/or in kind towards the costs of UNDP country offices, in accordance with the agreements between the Administrator and the host Governments concerned. Negotiations with respect to the amount and/or form of such contributions shall be in accordance with relevant Executive Board decisions and take into consideration the economic conditions of the countries concerned and may result in the granting by the Administrator of a partial waiver of contributions.

(b) Contributions in cash towards the costs of UNDP country offices shall be credited to the biennial support budget of UNDP.

Regulation 9.02

Programme country counterpart contributions

(a) Programme countries shall assist in defraying costs associated with UNDP programme activities in their countries by making available, either in cash or in kind or both, a substantial part of the requirements necessary for the implementation of UNDP programme activities, except in cases of hardship. In the light of policies

established by the Executive Board, the level, nature and timing of such contributions will be determined in agreement with the programme country or countries and will be described in the relevant project or programme support document.

(b) Programme country counterpart contributions shall be credited to the UNDP Other Resources Account.

Regulation 9.03

At the request of programme countries, UNDP may provide management and other support services associated with the financing of activities by Governments, or intergovernmental or governmental organizations. Such management and other support services shall be consistent with the policies, aims and activities of UNDP. The income derived from the provision of such management and other support services shall be considered as income to UNDP.

Regulation 9.04

Income other than contributions, direct refunds of expenditures in respect of programme activities or in respect of the biennial support budget during their approved period and revenue derived from staff assessments shall be classified as miscellaneous income.

Rule 109.01

Host Government contributions in kind to support the cost of UNDP country offices (e.g., goods, services or premises) shall be appropriately recognized in the biennial support budget of UNDP.

Rule 109.02

Counterpart contributions from programme countries to defray the cost of specific UNDP programme activities within the country may be:

(a) In cash (Government cash counterpart contributions) and payable in accordance with the payment schedule specified in the work plan and budget of the relevant UNDP programme activities;

(b) In kind, in the form of services, goods, equipment and facilities to be provided in accordance with the work plan contained in the relevant UNDP project or programme support document.

Should the expected Government cash counterpart contribution towards specific programme activities not be forthcoming, the Administrator may either modify the value thereof or charge the relevant costs to the target for resource assignment from the core, i.e., regular resources, of the programme country(ies).

Rule 109.03

Each management services and support services arrangement shall be covered by a written agreement between UNDP and the programme country concerned, which agreement shall, inter alia, specify the services which UNDP is to

furnish and provide for full reimbursement to UNDP of any costs incurred thereby by UNDP headquarters and/or country offices.

Chapter D - Resource Planning and Financial Authorization

Article 10 - General framework

Regulation 10.01

(a) The Administrator is responsible and accountable for planning the use of UNDP resources and issuing financial authorizations effectively and efficiently in furtherance of the policies, aims and activities of UNDP;

(b) The Administrator may delegate authority, as appropriate, for the planning of the use of UNDP resources and issuance of financial authorizations.

Regulation 10.02

(a) UNDP shall have an integrated financial framework for the planning and management of regular resources that shall cover a fixed multi-year period;

(b) This fixed multi-year financial framework period shall consist of four consecutive calendar years known as the "financial framework period";

(c) Within this financial framework period, and at least two years prior to the beginning of a new such framework, the Administrator shall submit to the Executive Board for its approval a distribution of UNDP regular resources in percentage shares among specific categories as defined in Regulation 11.01.

Regulation 10.03

Subject only to the maintenance on a continuous basis of the reserves set forth under Article 25 and for working capital, and after provision has been made for the biennial support budget, all resources of UNDP shall be available to the maximum extent possible for programme activities, including reimbursement of related support costs.

Regulation 10.04

Financial authorizations against UNDP regular resources shall be issued on a partially funded basis.

Regulation 10.05

To provide for continuity in UNDP programme activities, subject to guidelines that the Executive Board may set forth, the Administrator is authorized to take the measures that may be necessary to ensure a smooth transition from one financial framework period to the next.

Rule 110.01

The Assistant Administrator, Bureau for Planning and Resource Management, shall be responsible, on behalf of the Administrator, for planning and allocating the resources made available to UNDP so as to optimize their use.

Rule 110.02

For internal planning purposes, UNDP will have a rolling resource planning period which will formally roll over at the end of the calendar year and normally cover at least the current year and two future years.

Article 11. Programme activities: Distribution of resources

Regulation 11.01

Regular resources available for UNDP programme activities are distributed by the Executive Board in the following main categories:

(a) Programme activities at the country level, including targets for resource assignment from the core, i.e., regular resources (hereinafter referred to as TRAC) 1 and 2, and TRAC-3 resources for countries in special development situations;

(b) Programme activities at the regional level;

(c) Programme activities at the global level;

(d) Evaluation;

(e) Technical cooperation between developing countries activities;

(f) Support costs;

(g) Support to the Resident Coordinator;

(h) Other categories as may be established by the Executive Board.

Regulation 11.02

The distribution of resources among the different programme categories may be changed only by the Executive Board on the basis of principles it shall have established.

Regulation 11.03

Percentage shares for programme countries, in the form of TRAC-1 and TRAC-2, shall be calculated using the criteria and methodology endorsed by the Executive Board, under the separate categories established by the Executive Board for programme activities at the country level.

Regulation 11.04

Consistent with the objectives set forth in the programme categories established by the Executive Board, the Administrator shall plan for the delivery of all UNDP programme activities at rates expected to achieve the targeted resource levels.

Regulation 11.05

Subject to decisions that the Executive Board may make with regard to specific programme categories, at the end of a financial framework period, any unexpended available balance of resources assigned to a specific programme category shall in principle be available for the same respective category in the next financial framework period. Similarly, any overexpenditure in a specific category in a financial framework period shall constitute a first charge against the respective category in the next financial framework period.

Rule 111.01

(a) At least annually, at the end of each calendar year, the Assistant Administrator, Bureau of Management, shall incorporate for the rolling planning period estimates of the resources expected to be available for programme expenditures, and existing commitments against those resources.

(b) Should these estimates exceed or fall short of the targets set, the Assistant Administrator, Bureau of Management, shall propose adjustments upwards or downwards in the authorized programming levels. Such adjustments shall be applied on an across-the-board basis to the percentage share established by the Executive Board for each programme category.

(c) The Assistant Administrator, Bureau of Management, will prepare a separate resource planning framework for each separate programme category that the Executive Board may have established.

(d) Within the resource planning framework, the Administrator shall set authorized programming levels, or ceilings for commitments, and expenditure targets for each year of the planning period and for the planning period as a whole.

Article 12 - Programme activities: Resource assignment

Regulation 12.01

(a) Within the regular resources distributed to programme countries and to regional and global programme activities, and taking into account anticipated other resources, the Administrator shall submit, on the basis of principles laid down by the Executive Board, cooperation frameworks for approval by the Executive Board;

(b) Such cooperation frameworks may be established at the country, regional, or global level, as appropriate;

(c) Cooperation frameworks shall each contain a resource mobilization table outlining the level of funding targeted from both regular and other resources for the entire planning period covered by the cooperation framework.

Regulation 12.02

(a) The approval of a cooperation framework by the Executive Board forms the basis for subsequent allocation of UNDP resources towards the achievement of the development objectives specified in the framework.

(b) Cooperation frameworks shall normally cover a planning period of three to five consecutive calendar years, taking into account national planning horizons and harmonized planning horizons of the United Nations system.

(c) The Administrator may determine a TRAC-1 threshold below which the approval process of the country cooperation framework shall be simplified. The Administrator shall inform the Executive Board and those programme countries to which the simplified process is applied of this threshold.

Regulation 12.03

To provide for continuity in the programming and implementation of UNDP programme activities, the financial period for the purpose of the proposed utilization of resources and of the entering into commitments shall be the duration of each UNDP programme activity.

Regulation 12.04

Whenever the Executive Board has approved UNDP programme activities on a reimbursable basis, the requesting programme country Government shall reimburse the cost of such UNDP programme activities to UNDP in accordance with an agreement for this purpose concluded between UNDP and the programme country Government concerned.

Regulation 12.05

The Administrator may expend annually up to one tenth of 1 per cent of the resources available for the regional and global cooperation frameworks for preparation and review of such cooperation frameworks without further recourse to Governments or to the Executive Board.

Rule 112.01

All resources available for UNDP programme activities, including those transferred from the previous fixed financial framework period, shall be either fully distributed by the end of the current fixed financial framework period or transferred to the next period.

Rule 112.02

The cooperation framework period need not coincide with the multi-year fixed integrated financial framework period nor with the rolling planning period.

Regulation 13.01

The Administrator shall prepare the proposed biennial support budget, which shall cover programme support, management and administration of the organization, and support to operational activities of the United Nations. The proposed biennial support budget shall be related to the current planning period.

Regulation 13.02

The biennial support budget shall cover proposed expenditures and anticipated income relating to the biennium and shall be submitted in United States dollars.

Regulation 13.03

The Administrator shall, in the second year of a biennium, submit the proposed biennial support budget for the following biennium to the Executive Board. This proposed biennial support budget shall be transmitted to all members of the Executive Board at least six weeks prior to the opening of that session of the Board.

Regulation 13.04

(a) The biennial support budget estimates shall be submitted to the Advisory Committee for comment prior to presentation to the Executive Board.

(b) The proposed budget, together with the Advisory Committee report thereon, shall be considered for approval by the Executive Board in September of the year preceding the biennium to which the budget relates.

(c) The approved budget and the related comments of the Advisory Committee shall be submitted to the General Assembly for information at the time the relevant annual report of the Executive Board is considered.

Regulation 13.05

The Advisory Committee is requested to prepare a report for submission to the Executive Board on the proposed biennial support budget. This report shall be transmitted to all members of the Executive Board as soon as it is available.

Regulation 13.06

The Executive Board shall, in the second year of a biennium, adopt the biennial support budget for the following biennium.

Regulation 13.07

The proposed biennial support budget, both for income and expenditure, shall be prepared in the form adopted by the Executive

Board in relevant decisions on the harmonization of budget presentations.

Regulation 13.08

The Administrator may submit supplementary proposals to amend the biennial support budget whenever necessary.

Regulation 13.09

The Administrator, in preparing supplementary proposals to amend the biennial support budget, shall do so in a form consistent with the approved biennial support budget and shall submit such proposals to the Executive Board. They shall also be submitted to the Advisory Committee, which is requested to review them and report thereon to the Executive Board.

Regulation 13.10

Subsequent to a session of the Executive Board in the second year of a biennium, the Administrator may utilize the budgetary contingency provision of 3 per cent of the approved gross appropriations for unforeseen requirements resulting from currency movements, inflation or decisions of the General Assembly. Such usage shall be reported to the Executive Board at its next regular session and to the Advisory Committee, which is requested to review it and report thereon to the Executive Board.

Rule 113.01

(a) For each biennium, the UNDP biennial support budget shall be established within the parameters of the current planning framework.

(b) The Assistant Administrator, Bureau of Management, shall develop the budget proposals in consultation with the heads of organizational units of UNDP and make his/her recommendations to the Administrator.

(c) The Administrator shall decide as to the proposed biennial support budget to be submitted to the Executive Board.

Rule 113.02

(a) Should heads of organizational units, as an exceptional measure, seek additional funds for reasons other than those described in Rule 113.01(a), they shall furnish the Assistant Administrator, Bureau of Management, with such detailed justification as may be required.

(b) All supplementary biennial support budget proposals shall be reviewed by the Assistant Administrator, Bureau of Management, who shall make recommendations to the Administrator. In each case, the Administrator shall decide whether or not to submit a supplementary biennial support budget proposal.

Rule 113.03

The proposed biennial support budget shall comprise:

(a) An executive summary, providing an overview and the strategy adopted;

(b) The financial framework of the organization, covering resources available and the use of resources, for both regular and other resources;

(c) The budget proposals, with explanatory statements covering programme support, management and administration, and support to operational activities of the United Nations;

(d) Relevant tables and figures on budget estimates and posts;

(e) The draft appropriations decision.

Rule 113.04

(a) Supplementary proposals to amend the biennial support budget may be submitted if inflation forecasts, currency fluctuations, or other cost factors are expected to have a significant impact on approved appropriations.

(b) The proposed biennial support budget shall contain provision for the refund to UNDP staff members of income taxes levied on them in respect of earnings derived from employment with UNDP.

Article 14: Biennial support budget: Appropriations

Regulation 14.01

Appropriations for the biennial support budget approved by the Executive Board shall constitute an authorization to the Administrator to incur obligations and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

Regulation 14.02

Appropriations for the biennial support budget shall be available for obligation during the biennium to which they relate.

Regulation 14.03

(a) Appropriations shall remain available for 12 months following the end of the biennium to which they relate to the extent that they are required to discharge any outstanding legal obligation of the biennium. The balance of the appropriations shall revert to the UNDP Regular Resources Account.

(b) Any unliquidated obligations of the biennium in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulation 14.04

Transfers between the appropriation lines for the biennium may be

made by the Administrator, subject to such limits as the Executive Board may specifically decide, with the concurrence of the Advisory Committee.

Rule 114.01

(a) The Assistant Administrator, Bureau of Management, is responsible for ensuring that the allotments remain within the approved appropriations.

(b) Authorization by the Assistant Administrator, Bureau of Management, to expend biennial support budget appropriations may take the form of:

(i) An allotment of funds or other authorization to commit funds for a specific period and/or a specific purpose; and/or

(ii) An authorization for the employment of staff or of consultants.

Rule 114.02

(a) An allotment advice shall be issued at least annually by the Assistant Administrator, Bureau of Management, to each organizational unit for the objects of expenditure under its control.

(b) Each organizational unit is responsible for ensuring that expenditure control policies and procedures are adhered to as described in chapter G.

Rule 114.03

Commitments in the interest of UNDP, against resources anticipated for future financial periods may be authorized only by the Assistant Administrator, Bureau of Management. Such allotments shall normally be restricted to administrative requirements of a continuing nature and to other contractual arrangements where longer lead-times are required to ensure timely delivery and shall be treated as a first charge to the relevant appropriations approved by the Executive Board.

Rule 114.04

(a) An authorized staffing table shall be issued biennially by the Assistant Administrator, Bureau of Management, to each organizational unit, indicating the number and level of approved posts.

(b) The Assistant Administrator, Bureau of Management, shall be responsible for exercising overall control of the staffing table to ensure that total posts by level as authorized by the Executive Board are not exceeded.

Rule 114.05

The Assistant Administrator, Bureau of Management, may redeploy resources among organizational units and objects of expenditure, provided such redeployments are within the total appropriations approved by the Executive Board for an appropriation line.

Article 15 : Support services

Regulation 15.01

The Administrator is authorized to provide a range of support

services consistent with the policies, aims and activities of UNDP. These services may include:

(a) Support to activities financed by organizations within the United Nations system;

(b) Support services to national execution and execution by other entities, and to the implementation of UNDP programme activities, within the parameters established by the Executive Board.

Regulation 15.02

The Administrator is authorized to make adequate arrangements with organizations which are within the United Nations system for reimbursement of costs incurred by UNDP in support of activities financed by such organizations.

Regulation 15.03

The Administrator is authorized to make adequate arrangements with the programme country Government, executing entity, or organization of the United Nations system, as appropriate, for reimbursement of costs incurred by UNDP for support services to national execution and/or to the implementation of UNDP programme activities.

Rule 115.01

Goods, services and other requirements may be provided to development partners such as Governments, international or intergovernmental or non-governmental organizations or activities financed from trust or similar funds or special accounts on a reimburseable, reciprocal or other basis as may be approved by the Assistant Administrator, Bureau of Management. The following provisions apply:

(a) Where the supply of such goods, services and other requirements is of a regular and continuing nature, except where reciprocal arrangements have been made with the approval of the Assistant Administrator, Bureau of Management, the relevant budget shall include provision both for the cost of such goods, services and other requirements, and for any repayment thereof as income;

(b) In the absence of budgetary provision, the Assistant Administrator, Bureau of Management, may institute a reimbursement arrangement by authorizing expenditures to be incurred and charged to accounts receivable pending recovery from the party concerned.

Rule 115.02

Each support service shall be covered by a written agreement between UNDP and the entity concerned, which agreement shall, inter alia, specify the services which UNDP is to furnish and provide for reimbursement to UNDP of costs incurred thereby by UNDP headquarters and/or country offices.

Chapter E : Utilization of Resources by Executing Entities

Article 16 : General framework

Regulation 16.01

The Executive Board shall have sole authority to approve, within the limits of resources allocated, UNDP programme activities, a proposal for which the Executive Board or the requesting Government has specifically asked the Administrator to submit to the Executive Board.

Regulation 16.02

Under such limits prescribed by the Executive Board and within the limits of resources allocated for UNDP programme activities, the Administrator is authorized to approve UNDP programme activities at the country, regional and global levels.

Regulation 16.03

(a) The Administrator may authorize, on an exceptional basis and with the agreement of the programme country or countries, advances of resources prior to the receipt of expected contributions to other resources, to the extent that such advances in the event of default could be covered by the regular resources available for programming under the respective country, regional or global cooperation framework.

(b) Exceptions made by the Administrator to start activities in advance of the receipt of contributions shall be documented. Those exceptions for which contributions have not been received at the end of any calendar year shall be reported to the Executive Board on an annual basis.

Regulation 16.04

UNDP programme activities shall be subject to the following arrangements:

(a) Agreements shall be entered into between UNDP and individual programme country Governments, specifying the general terms and conditions which are to govern UNDP programme activities in their respective countries and territories;

(b) Arrangements for the establishment and financing of UNDP programme activities shall be subject to the agreement between the programme country or countries and UNDP, in the form of a project document or programme support document.

Regulation 16.05

The Administrator shall ensure that, except for organizations of the United Nations system, executing entities shall require auditors to follow the audit principles and procedures prescribed for the United Nations in respect of resources obtained from or through UNDP and shall ensure that each UNDP programme activity is audited at least once in its lifetime, or as otherwise required pursuant to the relevant agreements governing such programme activity.

Regulation 16.06

(a) The administration by executing entities of resources obtained from or through UNDP shall be carried out under their respective financial regulations, rules, practices and procedures only to the extent that they are appropriate.

(b) Where the financial governance of an executing entity does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.

Regulation 16.07

The Administrator shall establish, from time to time, criteria determining which UNDP programme activities executed by entities other than organizations from the United Nations system are to be audited biennially. Such criteria shall be made available to the Board of Auditors.

Rule 116.01

UNDP programme activities in countries in special development situations and for which no cooperation framework has been approved shall be approved by the Executive Board.

Rule 116.02

(a) The authority to approve UNDP programme activities, within the limit of resources allocated to those activities, is delegated to the Associate Administrator. The Associate Administrator may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in the programme countries;

(b) Approval of UNDP programme activities becomes effective upon signature of the project document or programme support document by the Government or Governments and UNDP and, where appropriate, by the executing entity. This does not apply to support services for programme and policy development and support for technical services, which do not require the signature of the Government.

(c) The Associate Administrator shall issue such instructions and establish such operational procedures as he/she may deem necessary for the approval of UNDP programme activities.

Rule 116.03

(a) The existence of an agreement governing UNDP programme activities in a programme country, in the form of a standard agreement or, in the absence of a standard agreement, of a standard annex to the project document or programme support document, is a precondition for the approval of UNDP programme activities or for otherwise entering into a commitment for UNDP programme activities.

(b) Such agreements shall provide that UNDP programme activities shall in each instance be subject to the availability of the necessary resources.

Other general terms and conditions of such agreements shall, inter alia, indicate the financial responsibilities which the Government shall assume, the services and facilities, including privileges and immunities it shall provide, and arrangements for the suspension or termination of activities, settlement of disputes, and orderly winding up of operations.

Rule 116.04

The Associate Administrator and the Director of the Office for Audit and Performance Review shall be responsible for establishing the criteria determining UNDP programme activities executed by agents other than organizations within the United Nations system, which are to be audited biennially, and for informing the Board of Auditors accordingly.

Rule 116.05

Responsibility for the signature, on behalf of UNDP, of preparatory assistance and advance authorization documents relating to UNDP programme activities at the country level shall rest with resident representatives. Signature of such a document shall constitute its approval. The document shall become effective upon such signature.

Rule 116.06

The Associate Administrator shall be responsible for monitoring all advances made prior to the receipt of other resources contributions in accordance with Regulation 16.03 and for reporting the status of such advances to the Administrator annually.

Article 17. Designation, selection and termination of the executing entity

Regulation 17.01

(a) In consultation with and with the agreement of the programme country Government, the Administrator shall select a single executing entity among the designated entities for each specific UNDP programme activity. With the agreement of the programme country Government and UNDP, the selected executing entity may associate one or more other entities with it in the implementation of UNDP programme activities.

(b) The selection of an executing entity shall be conditional upon the existence of a signed agreement or other arrangement between UNDP and the entity concerned, specifying the terms and conditions which are to govern the UNDP programme activities for which that entity has been selected.

(c) The Administrator may delegate authority, as appropriate, for the selection of executing entities and the oversight of their performance.

Regulation 17.02

National execution shall be the norm for UNDP programme activities, taking into account the capacities of programme countries and the nature of UNDP programme activities.

Regulation 17.03

Where national execution is found not to be appropriate, consideration in the selection of an executing entity shall be given to organizations of the United Nations system, and the United Nations Office for Project Services.

Regulation 17.04

The Administrator may also select for the execution of UNDP programme activities an intergovernmental entity not part of the United Nations system or a non-governmental entity, provided that it has operational and managerial capacity, can provide the needed services in a cost-effective manner, and can ensure its responsibility and accountability to the Administrator.

Regulation 17.05

The Administrator may select UNDP as executing entity only when it can be demonstrated that such a step is essential to safeguard the full responsibility and accountability of the Administrator for the effective delivery of UNDP programme activities.

Regulation 17.06

(a) The Administrator may, by written notice to the Government and the executing entity, under the terms and conditions of the UNDP agreement with such party, suspend UNDP programme activities if any circumstance arises which in his/her opinion interferes or is likely to interfere with their successful completion or the accomplishment of their purposes and results.

(b) If such circumstance continues for a period of 14 days after written notice of such suspension to the programme country and the executing entity, the Administrator may, by written notice to the same parties: (i) terminate UNDP programme activities or (ii) terminate the execution by the executing entity of UNDP activities in the country and, with the consent of the Government, take over such execution or entrust it to another executing entity.

Rule 117.01

(a) The authority to select executing entities and responsibility to oversee their performance is delegated to the Associate Administrator. The Associate Administrator may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in the programme countries;

(b) The Associate Administrator shall issue operational procedures and guidelines governing the selection of executing entities.

Rule 117.02

The existence of an arrangement agreed on between UNDP and an entity to be selected executing entity is a precondition for the selection of this entity as an executing entity. Such agreed arrangement shall be constituted by:

(a) The standard basic execution agreement for executing entities that are organizations of the United Nations system;

(b) An execution agreement specifically relating to the relevant UNDP programme activities to be administered for executing entities that are non-governmental organizations;

(c) The relevant project document or programme support document for national executing entities.

Rule 117.03

(a) UNDP shall limit its role as executing entity to countries in special development situations;

(b) The Associate Administrator is authorized to approve the selection of UNDP as executing entity for specific UNDP programme activities and shall establish criteria according to which such designation may take place;

(c) Whenever UNDP has been selected as executing entity, policies and procedures governing the use of resources by UNDP under chapter F shall apply.

Rule 117.04

Execution of UNDP programme activities may be assigned to an intergovernmental or non-governmental organization if the entity meets most of the following conditions:

(a) It has the ability to: reach and mobilize local associations and groups at the local level; interpret and communicate national policy, goals and strategies at the local level; and ensure the sustainability of UNDP programme activities beyond the funding period;

(b) It has technical and/or scientific capacities not available in the United Nations system;

(c) It has special qualifications for building collective decision-making systems that respect local customs and traditions;

(d) It has the means to strengthen the capacities of local organizations in areas essential to the promotion of sustainable human development;

(e) It has special qualifications for bringing about dialogue and partnership arrangements between the government and the local community.

Rule 117.05

In the event of the termination of any UNDP programme activities, UNDP shall reimburse the executing entity for the costs it may incur or may have incurred (and for which provision has been made in the agreed document) in executing UNDP programme activities up to the effective date of the termination, including:

(a) Reasonable costs incurred in phasing out its execution of UNDP programme activities; and

(b) Reimbursable support costs of the executing entity, as per agreed arrangements between UNDP and the executing entity.

Article 18. Financial oversight of the executing entity functions

Regulation 18.01

The budget covering UNDP programme activities, as contained in an approved document, shall constitute the allocation of resources by the Administrator to the executing entity and the authorization to incur expenditures and enter into commitments.

Regulation 18.02

The budget covering UNDP programme activities shall be presented in annual segments and shall constitute a ceiling on expenditures for the current year and on commitments for future years in connection with UNDP programme activities for which the allocation was made.

Regulation 18.03

UNDP programme activities approved by the Executive Board may be revised without further reference to the Executive Board, after appropriate consultations with the parties involved in the preparation of such UNDP programme activities, provided that the major development objectives of those UNDP programme activities remain unchanged and only limited financial adjustments are involved.

Regulation 18.04

To ensure the effective management of resources allocated to executing entities, the Administrator is authorized to specify in the relevant agreements with such entities, the basis, content and periodicity of reports on funds obtained from or through UNDP which are to be submitted by executing entities.

Regulation 18.05

Each executing entity shall maintain such accounts and records as are necessary to enable it to report on the financial status of funds obtained from or through UNDP, including in particular the balance of recorded allocations, expenditures and commitments.

Regulation 18.06

Organizations of the United Nations system participating in the support cost arrangements may be reimbursed for their support costs associated with the implementation of UNDP programme activities up to levels determined by the Executive Board.

Regulation 18.07

Entities other than organizations of the United Nations system participating in the support-cost arrangements may be authorized by the Administrator to be eligible for reimbursment of the costs they have incurred in implementing UNDP programme activities, based on estimates of actual costs.

Regulation 18.08

(a) Following completion of UNDP programme activities, the balance of the allocation between actual expenditure and the allocation shall revert to the respective source of resources;

(b) The final allocation shall remain available for the period of time required to discharge any outstanding legal obligation for UNDP programme activities to which it relates.

Rule 118.01

Agreed documents describing UNDP programme activities shall include a budget to be established on an annualized basis for the duration of UNDP programme activities. The budgetary provision contained in the agreed document shall constitute an allocation and a commitment by UNDP to finance UNDP programme activities described therein, subject to the availability of resources.

Rule 118.02

At agreed regular intervals, all executing entities shall be required to submit to UNDP reports on the status of allocations made to them by UNDP, including information in respect of their total recorded allocations, disbursements, unliquidated obligations, commitments, cash holdings and other financial data.

Rule 118.03

While budget revision may be proposed by all parties, it shall be the responsibility of the executing entity to ensure that budgets are realistic at all times and to prepare budget revisions whenever necessary.

Rule 118.04

(a) Budget revisions which do not increase the total budgeted amounts at the line level by more than an amount to be specified by the Associate Administrator and budget revisions which do not increase the total budgeted amount at the total level shall require only the approval of UNDP and the executing entity;

(b) All other budget revisions shall require the approval of the Government, the executing entity, and UNDP.

Rule 118.05

Governments are not eligible to reimbursement by UNDP of the costs associated with the implementation of UNDP programme activities.

Rule 118.06

An execution fee to be paid to a non-governmental organization acting as an executing entity will be negotiated on the basis of estimates of actual costs.

Rule 118.07

Organizations of the United Nations system participating in the support-costs arrangements, as determined by the Executive Board, may be reimbursed for the following support costs relating to the implementation of UNDP programme activities:

(a) Administrative and operational services, which shall be expressed in United States dollar terms and reimbursed at the following rates, based on annual expenditure:

(i) For activities financed under regular resources (excluding support-cost resources), through cost-sharing arrangements, and from trust or similar funds other than the United Nations Capital Development Fund and the United Nations Sudano-Sahelian Office, at a standard rate not exceeding 10 per cent;

(ii) For activities financed from Government cash counterpart contributions, at rates not exceeding 3.5 per cent of expenditures from such contributions;

(b) Support services for programme and policy development, which can be accessed only by eligible United Nations agencies and regional commissions. Reimbursement for support services for programme and policy development is based on an agreed work-month rate and actual costs;

(c) Support for technical services, which can be accessed only by eligible United Nations agencies and regional commissions. Reimbursement for support for technical services is based on an agreed work-month rate and actual costs.

Rule 118.08

(a) Budgets and their individual budget lines shall constitute ceilings for expenditures on UNDP programme activities for current and future years;

(b) In any given year, the expenditures of an executing entity may exceed an approved project budget for that year by 4 per cent of that year's annual project budget (excluding the cost-sharing budget). These expenditures are authorized provided that the total amount of excess expenditures of the executing entity for that year does not exceed 2 per cent of the total UNDP fund (excluding cost-sharing funds) approved for the expenditure by that executing entity for that year.

Rule 118.09

(a) As soon as UNDP programme activities have ceased, the executing entity shall declare them operationally completed. It shall inform UNDP of such operational completion and submit to UNDP a budget revision, in conformity with established procedures for budget revision, reflecting actual and estimated expenditures to date.

(b) UNDP programme activities shall be considered financially completed when they have been operationally completed or terminated, and if all financial transactions have been recorded, the relevant accounts closed, and a final project budget revision approved.

(c) The financial completion of UNDP programme activities shall be accomplished within 12 months after the month in which they are operationally completed or terminated.

Article 19. Grants

Regulation 19.01

The Administrator is authorized to incorporate grants, for purposes consistent with the policies, aims and activities of UNDP and with the agreement of the programme country or countries, to governmental and non-governmental organizations, including civil society organizations, but excluding commercial and other for-profit entities, into UNDP programme activities and is responsible for establishing appropriate rules and procedures for the application of the grant modality.

Rule 119.01

(a) The Associate Administrator shall develop detailed operational procedures for the application of the grant modality;

(b) Grants may be provided to a governmental or non-governmental organization, as direct beneficiary or intermediary, for the undertaking of development-related activities;

(c) Grants shall be recorded as an expenditure when payment to the direct beneficiary or intermediary is made.

Chapter F. Utilization of Resources by UNDP

Article 20. General framework

Regulation 20.01

Expenditures for the current year and commitments for future years shall be incurred only after allocations for UNDP programme activities, allotments in respect of the biennial support budget or other appropriate authorizations have been made in writing under the authority of the Administrator.

Regulation 20.02

There shall be a separation of duties:

(a) Between the staff who may incur obligations or commitments on behalf of UNDP and the staff who may verify that payments may be made on behalf of UNDP; and

(b) Between the staff who may verify that payments may be made on behalf of UNDP and the staff who may disburse resources on behalf of UNDP.

Regulation 20.03

The Administrator shall:

(a) Designate the staff who may make commitments on behalf of UNDP;

(b) Cause all commitments to be made on the basis of supporting documents which ensure that funds are available to cover the anticipated claim, in the form of an allocation or an allotment;

(c) Ensure that all commitment decisions are within the UNDP mandate and provide best value for money to the organization.

Rule 120.01

(a) The Assistant Administrator, Bureau of Management, in his/her capacity of Chief Procurement Officer, shall designate for each organizational unit one or more staff as committing officer for the procurement of all goods and services, except those services rendered by individuals under direct contract with UNDP. The responsibilities of those committing officers, including those for specific accounts assigned to them, shall be established by the Chief Procurement Officer.

(b) The Assistant Administrator, Bureau of Management, shall designate for each organizational unit one or more staff as committing officer(s) for those services rendered by individuals under direct contract with UNDP. The responsibilities of those committing officers, including those for specific accounts assigned to them, shall be established by the Assistant Administrator, Bureau of Management.

(c) Any authority granted and responsibility assigned to such staff is for the individual and cannot be delegated. Alternates may also be designated to act in the absence of the committing officer(s).

(d) The purpose of committing funds is to ensure, ahead of the facts, that:

(i) The activities to be financed are within the UNDP mandate and policies, within the approved strategy, and within the framework and plans of UNDP;

(ii) Funds necessary to satisfy the present or anticipated claim are currently available in the relevant account for which the committing officer is responsible;

(iii) The commitment decision provides best value for money to the organization.

Rule 120.02

(a) The Chief Procurement Officer shall specify the amounts above which establishment or amendment of an obligation document are required. Such amounts shall include a series of obligations for the same purpose.

(b) For commitments or changes in commitments above the amounts specified by the Chief Procurement Officer, and apart from the employment of staff under an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no contract, agreement or undertaking of any nature shall be entered into until resources have been reserved in the accounts.

(c) Resources must be obligated, by means of an obligating document, as soon as a contract, agreement or undertaking of any nature has been entered into.

Rule 120.03

(a) Each proposed obligation document, accompanied by appropriate supporting documentation, shall be signed by a committing officer.

(b) Committing officers shall submit such further explanations or justifications as the Chief Procurement Officer may require.

(c) The Chief Procurement Officer may reject any proposal for obligation or expenditure.

(d) The Chief Procurement Officer shall have authority to certify obligations under all accounts.

Article 21 – Procurement of goods and services

Regulation 21.01

The Administrator is responsible and accountable for carrying out the procurement functions of UNDP effectively and efficiently in furtherance of its mandate and activities.

(a) The procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works;

(b) The Administrator may delegate authority, as appropriate, for such procurement functions.

Regulation 21.02

The following general principles shall be given due consideration when exercising the procurement functions of UNDP:

(a) Best value for money;
(b) Fairness, integrity and transparency;
(c) Effective international competition;
(d) The interest of UNDP.

Rule 121.01

Procurement Authority

(a) The Chief Procurement Officer of UNDP is accountable to the Administrator for all procurement functions of UNDP for all its locations, except for those procurement actions governed by paragraph (c) below. The Chief Procurement Officer may further delegate authority to staff at headquarters and other locations, as may be appropriate in fulfilling the purposes of these Rules. Hereinafter references to the Chief Procurement Officer shall also be understood to mean, as appropriate, those acting under delegated authority from the Chief Procurement Officer.

(b) The Chief Procurement Officer shall ensure that the procurement functions are carried out in accordance with the relevant financial Regulations and Rules. To this end, the Chief Procurement Officer:

(i) Shall establish the necessary controls, including those for delegations of authority, and shall issue administrative instructions for purposes necessary to protect the integrity of the procurement process and the interest of UNDP;

(ii) Shall establish review committees, at headquarters and other locations, to render written advice to the Chief Procurement Officer on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, includes agreements or other written instruments such as purchase orders, and contracts that involve income to UNDP. The Chief Procurement Officer shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review;

(iii) Shall ensure that when the advice of the review committee established under the preceding provisions of this Rule is required, no commitment may be entered into before such advice is acted upon by the Chief Procurement Officer or his/her authorized delegates. In cases where the Chief Procurement Officer or his/her authorized delegates decides not to accept the advice of such committee, he/she shall record the reasons for such decision.

(c) The Assistant Administrator, Bureau of Management, pursuant to a delegation of authority from and on behalf of the Administrator, is accountable for the contracting of individual consultants who provide personal or professional services to UNDP. The Assistant Administrator, Bureau of Management, shall establish the necessary controls and may delegate authority to staff in fulfilling the purposes of this paragraph. The contracting of individual consultants shall be governed by the relevant Executive Board legislation, and administrative instructions related thereto.

Rule 121.02

Procurement Modalities

(a) Entering into procurement by contract. No contract shall be entered into on behalf of UNDP except by the Chief Procurement Officer.

(b) Cooperating with other United Nations organizations. The Chief Procurement Officer may cooperate with other organizations of the United Nations system to meet the procurement requirements of UNDP, provided that the regulations and rules of those organizations are consistent with those of UNDP. The Chief Procurement Officer may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together, or UNDP may enter into a contract relying on a procurement decision of another organization, or may request another organization to carry out procurement activities on behalf of UNDP.

(c) Cooperating with Governments and other organizations. The Chief Procurement Officer may, to the extent authorized by relevant legislation of the Executive Board, cooperate with a Government, non-governmental

organization, or other public international organization, in respect of procurement activities, and enter into agreements for such purposes.

Rule 121.03

Reliance on Competition

Consistent with the provisions contained in Regulation 21.02 and except as otherwise provided in Rule 121.05, procurement contracts shall be awarded on the basis of effective competition, and to this end, the competitive process will, as necessary, include:

(a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;

(b) Market research to identify potential suppliers;

(c) Competition on as wide a geographical basis as practicable and suited to market circumstances;

(d) Consideration of prudent commercial practice;

(e) Formal methods of solicitation: invitations to bid or requests for proposals on the basis of advertisements or direct solicitation of invited suppliers; or informal methods of solicitation, such as requests for quotations. The Chief Procurement Officer shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used.

Rule 121.04

Award of procurement contracts on the basis of formal methods of solicitation

(a) The award of a contract shall be made after due consideration has been given to the general principles described in Regulation 21.02 and in accordance with the following:

(i) When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost to UNDP;

(ii) When a formal request for proposals have been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documentation.

(b) The Chief Procurement Officer may, in the interests of UNDP, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Chief Procurement Officer shall then determine whether to undertake a new solicitation or to negotiate a procurement contract directly pursuant to Rule 121.05, or to terminate or to suspend the procurement action.

Rule 121.05

Award of procurement contracts on the basis of exceptions to the use of

formal methods of solicitation

(a) The Chief Procurement Officer may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of UNDP when:

(i) The value of the procurement is below the monetary amount established for formal methods of solicitation;

(ii) There is no competitive market-place for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation, or where the requirement involves a proprietary product or service;

(iii) There has been a previous determination or there is a need to standardize the requirement;

(iv) The proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule 121.02;

(v) Offers for identical requirements have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;

(vi) A formal solicitation has not produced satisfactory results within a reasonable prior period;

(vii) The proposed procurement contract is to purchase or lease real property;

(viii) There is a genuine exigency for the requirement;

(ix) The proposed procurement contract relates to obtaining services that cannot be objectively evaluated;

(x) The Chief Procurement Officer otherwise determines that a formal solicitation will not give satisfactory results.

(b) When a decision is made pursuant to subparagraph (a) above, the Chief Procurement Officer shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation, or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirements at an acceptable price.

Rule 121.06

Written procurement contracts

Written procurement contracts shall be used to formalize every procurement for a monetary value over specific thresholds established by the Chief Procurement Officer. Such arrangements shall, as appropriate, specify in detail:

(a) The nature of the products or services being procured;

(b) The quantity being provided;

(c) The contract or unit price;

(d) The period covered;

(e) Conditions to be fulfilled, including the United Nations standard conditions of contract;

(f) Terms of delivery and payment;

(g) Name and address of supplier.

The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before using any electronic means of data interchange, the Chief Procurement Officer shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information.

Article 22. Verification for payments

Regulation 22.01

The Administrator shall:

(a) Designate the staff who may verify that payments may be made on behalf of UNDP;

(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made.

Rule 122.01

(a) The Comptroller, Bureau of Management, shall have authority to approve all payments under all accounts;

(b) The Comptroller, Bureau of Management, shall, where appropriate, designate certain staff in other organizational units as verifying officers.

(c) Those staff so designated shall have the responsibility to verify that payments and other financial transactions may be carried out on behalf of UNDP. The responsibility assigned to a verifying officer cannot be delegated.

Rule 122.02

(a) A verifying officer shall approve a voucher for payment when:

(i) It has been determined that payment had not previously been made;

(ii) It is supported by documents which indicate that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract and the related obligation;

(iii) The payment is made against a recorded commitment of resources entered into by an appropriate committing officer;

(iv) No other information is available which would bar the payment.

(b) Should an invoice be presented for payment in an amount which exceeds the existing relevant obligation by the amount specified by the Chief Procurement Officer in Rule 120.02 or more, prior commitment of resources by a committing officer is required.

(c) For payments for which funds did not need to be reserved by the recording of an obligation in accordance with Rule 120.02, the documentation supporting the payment voucher must be signed by a committing officer before the payment may be approved by a verifying officer.

Article 23 : Ex gratia payments

Regulation 23.01

The Administrator may make such ex gratia payments not exceeding $50,000 as he/she deems to be necessary in the interest of UNDP, provided that a statement of such payments shall be submitted to the General Assembly and the Executive Board with the financial statements.

Rule 123.01

(a) Ex gratia payments may be made in cases where, although in the opinion of the United Nations Office of Legal Affairs there is no legal liability on UNDP, the moral obligation is such as to make payment desirable in the interest of UNDP.

(b) Requests for the approval of all ex gratia payments shall be cleared by the Assistant Administrator, Bureau of Management.

Chapter G : Administration of Resources

Article 24 : Assets management

Regulation 24.01

The Administrator is responsible and accountable for managing the property of UNDP effectively and efficiently in furtherance of its mandate and activities.

(a) The management of property includes all actions necessary for its receipt, custody, maintenance and disposal;

(b) The Administrator may delegate authority, as appropriate, for such management of property.

Regulation 24.02

Non-expendable equipment and other property financed or provided by UNDP shall belong to UNDP unless and until such time as ownership thereof is transferred, on terms and conditions mutually agreed upon between the programme country and UNDP.

Rule 124.01

(a) The Assistant Administrator, Bureau of Management, shall determine the types of supplies, equipment and other property for which records shall be maintained and shall establish the nature and extent of the records in keeping with the purpose of these Rules.

(b) The Assistant Administrator, Bureau of Management, shall be responsible for the maintenance of the property records established under (a) above. Such records shall be maintained both for headquarters and for UNDP country offices and shall show separately supplies, equipment and other property belonging to UNDP and/or entrusted to the charge of UNDP.

(c) Physical inventories shall be taken of supplies, equipment or other property owned by UNDP, or entrusted to the charge of UNDP, annually or at such intervals as deemed necessary to ensure adequate control over such property. The selection of items to be inventoried shall be the responsibility of the Assistant Administrator, Bureau of Management, who shall also arrange for the conduct of physical inventories at headquarters.

(d) The Assistant Administrator, Bureau of Management, may delegate the responsibilities assigned to him under (a),(b), and (c) above.

Rule 124.02

The Assistant Administrator, Bureau of Management, shall establish property survey boards for headquarters and other locations, to render written advice to him/her in respect of loss, damage or other discrepancy in relation to the property of UNDP. The Assistant Administrator, Bureau of Management, may delegate responsibility under this Rule as may be appropriate in fulfilling the purposes of this Rule. He/she shall establish the composition and terms of reference of such boards, which shall include procedures on determining the cause of such loss, damage or other discrepancy, the disposal action, and the degree of responsibility, if any, attaching to any official of UNDP or other party, for such loss, damage or other discrepancy. The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property by means other than sale and shall issue administrative instructions for such disposal actions.

Rule 124.03

(a) The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property by sale. He/she shall establish administrative instructions for the sale of property and may delegate authority as necessary.

(b) Supplies, equipment or other property declared surplus or unserviceable following a recommendation by a Property Survey Board shall be sold after competitive bidding, unless:

(i) The inventoried value per item is less than an amount to be specified by the Assistant Administartor, Bureau of Management;

(ii) The exchange of surplus property in partial or full payment for replacement equipment or supplies will, in the opinion of the Board, be in the interest of UNDP;

(iii) It will be more economical to destroy the surplus or unserviceable material or its destruction is required by law or by the nature of the property;

(iv) The interests of UNDP will be served by disposal by gift or sale at nominal prices to a Government or government agency or some other non-profit-making organization.

Rule 124.04

All supplies, equipment or other property received by UNDP shall immediately be inspected to ensure that the items comply with the specifications of the purchase contract and that their condition is satisfactory. As an item is received, an appropriate receiving report shall be issued and the item shall be entered, if required under Rule 124.01(a), into the property records.

Rule 124.05

UNDP property shall be sold on the basis of payments on or before delivery. Exceptions to this Rule may be authorized in writing by the Assistant Administrator, Bureau of Management, when, in his/her view, this is in the interest of UNDP.

Rule 124.06

Ownership of equipment may be transferred, on terms and conditions mutually agreed upon between the programme country and UNDP, at any time after its arrival in the country being assisted and shall be effected by the Resident Representative after consultation with the parties concerned.

Article 25. Cash management

Regulation 25.01

The Administrator, under the authority delegated by the Secretary-General as custodian of all funds, is responsible and accountable for the effective and efficient management of cash resources in UNDP custody.

(a) Cash management includes all actions necessary for receipt, deposit, advance, investment and disbursement of cash, including the designation of banks and opening of bank accounts;

(b) The Administrator may delegate authority, as appropriate, to staff for such cash management.

Regulation 25.02

The Administrator shall designate the staff who may receive and/or disburse moneys.

Regulation 25.03

Working capital shall be provided from the cash resources of the UNDP

Accounts.

Regulation 25.04

Taking into account the objectives and policies of UNDP and the special requirements of its operations, including liquidity, moneys not required immediately may be placed in liquid fixed-term instruments by the Administrator.

Regulation 25.05

Notwithstanding the provisions of Regulation 25.04 above, and within limits and terms established by the Executive Board, UNDP funds may be placed in the form of participation in development loans by international or regional development banks, or loaned under the provisions of the Reserve for Field Accommodation.

Regulation 25.06

Within the UNDP Accounts, the following reserves shall be established at levels set by the Executive Board:

(a) An Operational Reserve, the purpose of which is to guarantee the financial viability and integrity of UNDP. The Reserve shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:

(i) Downward fluctuations or shortfalls in resources;

(ii) Uneven cash flows;

(iii) Increases in actual costs as compared to planning estimates or fluctuations in delivery; and

(iv) Other contingencies which result in a loss of resources for which UNDP has made commitments for programming;

The decision to make a drawdown from the Operational Reserve shall rest solely with the Administrator, who will report all drawdowns to the Executive Board at its next regular session, and between sessions, to the members of the Executive Board as may be prescribed by the Board or whenever, in the opinion of the Administrator, the situation so merits;

(b) An Other Resources Reserve, the purpose of which is to ensure that financial risks associated with other resources activities are prudently managed. The decision to make a drawdown from the Other Resources Reserve shall rest solely with the Administrator, who will report all drawdowns to the Executive Board at its next regular session and between sessions, to the members of the Executive Board as may be prescribed by the Board or whenever, in the opinion of the Administrator, the situation so merits.

(c) A fully funded Reserve for Field Accommodation, for housing for internationally recruited, UNDP-financed field personnel and, exceptionally, for office accommodation. The terms and conditions under which the Administrator may agree to such loans shall be established by the Executive Board. The Administrator shall report annually to the Executive Board on the status of such loans;

(d) Such other reserves as may be approved by the Board.

Regulation 25.07

The specific advance approval of the Executive Board shall be required for any loan of UNDP resources not authorized under the provision of these Regulations.

Regulation 25.08

The Administrator may establish such credit facilities as are normally needed in the course of operational activities, such as commercial letters of credit. Such credit facilities shall be fully collateralized so as to avoid any borrowing of resources.

Rule 125.01

The Treasurer, Bureau of Management, is authorized to designate the bank or banks in which UNDP funds and UNDP-administered funds will be deposited and maintained. The designation of a bank shall cover all branches of that bank. The Treasurer shall promulgate criteria for the qualification of such banks.

Rule 125.02

The Treasurer shall establish criteria for the opening of bank accounts in emergency situations.

Rule 125.03

The Treasurer shall designate the initial signatories to operate UNDP bank accounts, and the staff authorized to amend the signatory panels.

Rule 125.04

(a) The Treasurer shall make full and effective use of all currencies available to UNDP to the extent possible, and in doing so may effect the purchase or sale of one currency for another whenever it is deemed to be in the best interest of UNDP.

(b) The Treasurer, or other official designated by him/her, may utilize commercial foreign exchange markets or other United Nations programmes under parameters approved in the "Investment and Cash Management Guidelines" of UNDP.

Rule 125.05

The Treasurer shall communicate the United Nations operational rates of exchange to the organizations of the United Nations system associated with the implementation of UNDP programme activities and UNDP country offices for their use in the recording of all UNDP-financed activities.

Rule 125.06

(a) All disbursements shall be made by cheque or bank transfer, except to the extent that cash disbursements are authorized by the Treasurer or by a duly authorized staff member in a country office.

(b) Cheques or payment instructions to banks shall be signed by two authorized signatories. The Treasurer may, where adequate safeguards are provided, authorize the signing of cheques by one signatory only.

(c) Transfers of funds shall be authorized by the Treasurer or his/her designate.

Rule 125.07

Oversight of liquidity management activities is the responsibility of the Investment Committee, which is chaired by the Assistant Administrator, Bureau of Management, through delegation from the Administrator. The Administrator shall approve the mandate of the Committee and its membership.

Rule 125.08

(a) Executing entities and organizations from the United Nations system associated with the implementation of UNDP programme activities may obtain funds through remittances from UNDP. Such remittances shall not exceed the amount needed to cover a reasonable period of foreseen cash requirements relating to UNDP-financed activities. Prior to the remittance of funds, the Treasurer may request information to substantiate the need for such remittances.

(b) Country offices may obtain funds through remittances from headquarters. Such remittances shall be limited, unless otherwise justified, to the cash-advance level established for each country office by the Treasurer. Those country offices maintaining a United States dollar account in New York may not draw funds in excess of the cash advance level established for the country office without prior approval of the Treasurer, or his/her designate.

Rule 125.09

Petty cash advances may be made to officials designated by the Treasurer. These cash advances shall be maintained on an imprest basis. The amount and purposes of each advance shall be defined by the Treasurer; the amount shall be held to the minimum compatible with working requirements.

Rule 125.10

All bank accounts shall be reconciled on a regular basis, at least monthly, with the statements submitted by the banks.

Rule 125.11

Advance Payments

(a) Except where normal commercial practice or the interests of UNDP so require, no contract shall be made on behalf of UNDP which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to in accordance with UNDP administrative instructions issued by the Comptroller, the reasons therefor shall be recorded.

(b) Progress payments may be permitted pursuant to normal commercial practice or in the interests of UNDP, in accordance with administrative instructions issued by the Comptroller.

Rule 125.12

In addition to advances specified above, the Treasurer may authorize other cash advances such as advances permitted by the Staff Rules and administrative instructions.

Article 26 Accounting

Regulation 26.01

The Administrator shall submit financial statements biennially in respect of the UNDP Regular Resources Account, the Other Resources Account and in respect of all Funds and Programmes administered by UNDP, in accordance with the United Nations System Accounting Standards showing:

(a) Income and expenditures;

(b) Assets and liabilities, reserves and resource balances;

(c) Statement of cash flows;

(d) Movement in resource balances;

(e) The status of allocations for UNDP programme activities and the amounts charged against those allocations;

(f) The status of appropriations approved by the Executive Board for the biennial support budget and the amounts charged against those appropriations.

The Administrator shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounting records and other records as are necessary to report to the Executive Board and to the General Assembly on the financial status of Funds and Programmes administered by UNDP.

Regulation 26.02

The financial statements shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Administrator may deem necessary.

Regulation 26.03

Separate accounting records shall be maintained for all reserves within the UNDP Accounts.

Regulation 26.04

Miscellaneous income shall be credited to the relevant UNDP Account to which the income accrued or from which it derived.

Regulation 26.05

The financial period for the purpose of incurring and accounting for expenditures in respect of UNDP programme activities, including reimbursement of related agency support costs, shall consist of a single calendar year.

Regulation 26.06

The Administrator may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts. The Administrator may establish, from time to time, an amount below which full investigation and formal write-off are not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line.

Regulation 26.07

All trust funds shall be reported in detail to the Executive Board through the Advisory Committee.

Regulation 26.08

The financial statements shall be submitted by the Administrator, not later than 30 April of the year following the end of each biennium, to the United Nations Board of Auditors for examination and opinion.

Rule 126.01

The Comptroller, Bureau of Management, shall prescribe and maintain financial records and subsidiary records and shall institute systems and procedures, including those in respect of UNDP country offices, which will

permit accurate and timely financial reporting on all activities to the Administrator and to appropriate governing bodies.

Rule 126.02

The accounting and other financial records and all supporting documents shall be retained for such periods as may be agreed with the Board of Auditors, after which, on the authority of the Comptroller, such records and documents may be destroyed.

Rule 126.03

A record of pledges shall be maintained in the currency pledged. Pledges made in currencies other than United States dollars shall be reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the report or, if paid, on the date of payment.

Rule 126.04

Payments of voluntary contributions intended for credit to UNDP in United States dollars shall be recorded as income in the actual amount received by UNDP. Payments of voluntary contributions in other than United States dollars shall be recorded as income expressed in United States dollars at the United Nations operational rate of exchange in effect on the date of payment.

Rule 126.05

Host Government cash contributions towards the cost of UNDP country offices shall be credited as income in the gross biennial support budget of UNDP. If received in local currency, credit in United States dollars will be at the United Nations operational rate of exchange in effect on the date of payment.

Rule 126.06

(a) Gains or losses resulting from exchange adjustments arising from payment of voluntary contributions shall be recorded separately as an offset to these contributions.

(b) Exchange adjustments arising from other financial transactions shall be recorded separately as miscellaneous income or expenditure, as appropriate.

Rule 126.07

(a) Income from investments shall be recorded as miscellaneous income in the relevant UNDP Account or the appropriate account to the programme, trust fund, or development activitity, the financial administration of which has been entrusted to the Administrator.

(b) Investment income derived from a third-party cost-sharing contribution may be charged to miscellaneous income in the relevant UNDP Account and credited to the project or programme to which the contribution had been made, or returned to the concerned third-party donor, as agreed between UNDP and the donor, provided that UNDP support costs relating to the cost-sharing activitity have been met from the cost-sharing contribution.

(c) Investment income derived from programme country cost-sharing contributions may be charged to miscellaneous income in the relevant UNDP Account and apportioned to extrabudgetary resources to meet UNDP support costs relating to the cost-sharing activity. Any investment income remaining after such costs have been met may be made available to the project for which the cost-sharing contribution had been made, or to the programme cost-sharing account of the programme country, or returned to the Government which made the cost-sharing contribution.

Rule 126.08

The proceeds from the sale of property shall be credited as miscellaneous income to the source of funds originally charged with the purchase thereof, except:

(a) Where a property survey board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies, any excess shall be taken into account as miscellaneous income;

(b) When the trade-in of property is not considered to be a sale and the trade-in allowance shall be applied against the cost of the replacement property;

(c) Where normal practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage, the Assistant Administrator, Bureau of Management, may authorize the crediting of these proceeds to the account from which they were procured, provided that the account has not been closed;

(d) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project provided that they have not been closed;

(e) Where equipment is transferred from one project for use in another and the accounts of the releasing project are open, the fair market value of such equipment shall be credited to the accounts of the releasing project and charged to the accounts of the project receiving the equipment.

Rule 126.09

(a) Refunds of expenditures financed from a given biennial support budget shall be credited to the accounts originally charged, if received in the same financial period or, if received subsequent to that period, to miscellaneous income.

(b) Refunds of project expenditures received during the life of a project, i.e., before the final allocation of UNDP assistance is made, shall be credited to the project account originally charged. Refunds subsequently received shall be credited to miscellaneous income.

Rule 126.10

(a) Savings/deficits on the liquidation of obligations charged to financially completed UNDP programme activities shall be credited/charged to the relevant UNDP Account under Miscellaneous Income.

(b) Unforeseen disbursements or refunds in respect of financially

completed UNDP programme activities shall be charged/credited to the relevant UNDP Account under Miscellaneous Income.

(c) Such net adjustments on account of financially completed UNDP programme activities shall not exceed 10 per cent of the final allocation made to the relevant budget, or $50,000, whichever is less, without the approval of the Assistant Administrator, Bureau of Management.

Rule 126.11

The establishment of an obligation is to be based on a contract, agreement or other form of undertaking by UNDP or based on a liability recognized by UNDP.

Rule 126.12

When a commitment is incurred in currencies other than United States dollars, it shall be recorded in the accounts in the United States dollar equivalent at the prevailing United Nations operational rate of exchange. At the time of payment, where currency fluctuation has resulted in a change in the United States dollar equivalent from the original amount obligated, the difference is to be charged or credited to the same account against which the obligation was recorded. In such cases, an amendment to the original obligation document is not required. Valid obligations at 31 December should be revalued to reflect the United Nations operational rate of exchange in effect on that date, and an amended obligation document issued, should the revalued obligation exceed the original by the amount specified by the Chief Procurement Officer in accordance with Rule 120.02.

Rule 126.13

(a) The Assistant Administrator, Bureau of Management, may, after full investigation in each case, authorize the writing-off of losses of UNDP property or such other adjustment of the records as will bring the balance shown by the records into conformity with the actual quantities, except for those proposals for write-offs which exceed $100,000 and which shall be submitted to the Administrator for approval.

(b) Final determination as to all recoveries to be made from staff members or others as the result of losses will be made by the Assistant Administrator, Bureau of Management.

Rule 126.14

(a) Outstanding obligations retained against appropriations of the previous financial period in accordance with Regulation 14.03 shall be jointly reviewed periodically by the committing or alternate committing officers and the Bureau of Management. Obligations which after review are no longer considered valid shall be cancelled and the resulting credit surrendered. If after 12 months of the ensuing biennium an outstanding obligation continues to be valid, it shall be reobligated against appropriations of the then-current financial period.

(b) Reasonably frequent reviews of all unliquidated obligations shall be conducted in the interest of returning any resulting savings to the UNDP accounts.

Rule 126.15

(a) Disbursements shall be recorded as of the date they are made, that is, when the cheque is issued, the bank transfer is requested or cash is paid out;

(b) Receipts shall be recorded on the date received.

Rule 126.16

(a) The Assistant Administrator, Bureau of Management, may, after full investigation, authorize the writing-off of losses of cash, accounts receivable and notes receivable deemed to be irrecoverable, except that proposals to write off amounts in excess of $100,000 shall be submitted to the Administrator for approval.

(b) The investigation shall, in each case, fix the responsibility, if any, attaching to any official of UNDP for the loss. Such official may be required to reimburse the loss either partially or in full.

(c) The amount authorized for waiver of investigation and write-off is $1,000.

Rule 126.17

In addition to the financial statements, there shall be provided to the United Nations Board of Auditors information on:

(a) Ex gratia payments;

(b) Supplies, equipment and other property for which property records are kept;

(c) Losses of cash, stores and other assets written off; and

(d) Such other information as the Board may require.

Rule 126.18

(a) For purposes of accounting for and reporting on UNDP assets, liabilities and transactions, and the maintenance of other financial records, other currencies will be translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report or the date of the transaction as may be appropriate.

(b) When the United Nations operational rate of exchange for a currency has been revised, any asset or liability held in that currency shall be revalued, for financial statement purposes, in terms of United States dollars and any gain or loss shall be debited or credited to miscellaneous income.

Rule 126.19

The principal accounts shall consist of:

(a) Project accounts by source of funds, showing:

(i) Project number;

(ii) Project allocations;

(iii) Disbursements;

(iv) Unliquidated obligations; and

(v) Unencumbered balances of allocations;

(b) Biennial support budget accounts showing:

(i) Original appropriations;

(ii) Appropriations after modification by any transfers between programmes;

(iii) Credits, if any, other than appropriations made available by the Executive Board;

(iv) Allotments made;

(v) Disbursements;

(vi) Unliquidated obligations;

(vii) Unencumbered balances of allotments; and

(viii) Unencumbered balances of appropriations;

(c) General ledger accounts showing for the UNDP Regular and Other resources all income, expenditure, cash at banks, investments, receivables and other assets, reserves, payables and other liabilities;

(d) Other accounts similarly structured as those described under (a)-(c) above as may be appropriate for any trust funds or Funds administered by UNDP.

Rule 126.20

Separate accounting records shall be maintained to record all financial transactions relating to management services agreements. The balances of such records shall be reported in the UNDP financial statements under accounts payable. Any interest earned on resources held shall be credited to the respective management services. The amount included in the agreement for reimbursement of UNDP costs shall be charged to the related management services and credited to the UNDP Other Resources Account as extrabudgetary income.

Rule 126.21

The Comptroller, Bureau of Management, shall certify that to the best of his/her knowledge, information, and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules.

Chapter H : Definitions

Article 27 : Definitions

Regulation 27.01

For the purpose of the Financial Regulations of UNDP, the following definitions of the main entities involved in the activities of UNDP shall apply:

(a) "UNDP" shall mean the United Nations Development Programme, established by General Assembly resolution 2029 (XX) of 22 November 1965;

(b) "General Assembly" shall mean the General Assembly of the United Nations;

(c) "Executive Board" shall mean the Executive Board of UNDP;

(d) "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions;

(e) "Secretary-General" shall mean the Secretary-General of the United Nations or the official to whom the Secretary-General has delegated authority and responsibility for the matter in question;

(f) "Administrator" shall mean the Administrator of UNDP or the official to whom the Administrator has delegated authority and responsibility for the matter in question;

(g) "Government" shall mean the Government of a State Member of the United Nations or of a specialized agency or of the International Atomic Energy Agency. Within these Regulations, the term "Government" has also been used in conjunction with the following:

(i) "host" Government shall mean the Government, as defined above, of a country within whose legal boundaries an office of UNDP is located, or which receives administrative services from a UNDP office located elsewhere;

(ii) "programme country Government" shall mean the Government of a country or territory which, as a result of an Executive Board decision, is eligible to benefit from UNDP programme activities;

(h) "executing entity" shall mean the entity responsible for the overall management of a specific UNDP programme activity, including accountability for the production of outputs, achievement of objectives and for the use of UNDP resources.

(i) "Fund" or "Programme" shall mean an independent accounting entity, established by resolution of an appropriate legislative organ, which resolution specifies in whom responsibility for both executive direction and legislative guidance is vested.

(j) "Programme": see Fund, (i) above.

Regulation 27.02

For the purposes of the Financial Regulations of UNDP, the following definitions of specific terms used shall apply. These terms are listed in alphabetical order.

allocation - a financial authorization issued by the Administrator to incur expenditures and commitments for specific purposes relating to UNDP programme activities and within specified limits, during a definite period;

allotment - a financial authorization issued by the Administrator to an official or to a unit to incur obligations for specific purposes relating to the biennial support budget and within specified limits, during a definite period;

appropriations - the total amount approved by the Executive Board for specified purposes for the current biennial support budget against which obligations may be incurred for those purposes up to the amounts so approved. The appropriations are divided into "appropriations lines", for each of which a specific amount is shown in the appropriate decision adopted for each biennium by the Executive Board and within which the Administrator is authorized to make transfers without prior approval;

appropriation line - a subdivision of the appropriations for which a specific amount is shown in the appropriate decision and within which the Administrator is authorized to make transfers without prior approval;

biennial support budget - the budget covering the costs of UNDP relating to programme support, management and administration, and support to operational activities of the United Nations;

balance of resources - the available resources on a given date;

capital assets - assets intended for long-continued use or possession, e.g., land, buildings and non-expendable equipment;

commitment - an anticipated or contingent liability against resources of one or more future years;

committing officer - a UNDP staff member who has been delegated the authority to commit UNDP resources and has accepted accountability for it;

contribution - cash or in-kind resources (the latter being in the form of goods,services, or real property) provided to UNDP. Contributions are used to cover UNDP programme activities as well as

programme support, management and administration, and support to operational activities of the United Nations, including costs associated with the administration of contributions received for special purposes;

cost-sharing - a co-financing modality under which contributions from Other resources can be received as a supplement to Regular resources for specific UNDP programme activities, under the relevant cooperation framework;

country cooperation framework - the framework for UNDP programme activities in a particular country, prepared by the Government of that country, indicating the proposed use of UNDP resources towards the achievement of selected national development objectives during a specific period;

disbursement - the actual amount paid;

ex gratia payment - a payment made where there is no legal liability but the moral obligation is such as to make payment justifiable;

execution - the overall management of specific UNDP programme activities and the acceptance of accountability to the Administrator for the effective use of UNDP resources;

expenditure - total charges incurred whether paid or unpaid, i.e., the sum of disbursements and unliquidated obligations for the current year in respect of UNDP programme activities and for the biennium in respect of the biennial support budget;

global cooperation framework - the framework for UNDP programme activities of worldwide significance; indicates the proposed use of UNDP resources towards the achievement of the global development objectives concerned;

implementation - the procurement and delivery of UNDP programme activity inputs and their use in producing outputs;

liquidity - the difference between current assets and current liabilities. In the specific context of UNDP, this shall normally be taken to mean the sum of working capital and reserves;

management and administration of the organization - the activities of UNDP organizational units whose primary functions are the maintenance of the identity, direction and well-being of the organization. This shall typically include units that carry out the functions of

executive direction, policy and evaluation, external relations, information, planning and resource management, finance and administration, and audit;

management and support services - a range of services, which may include procurement and full financial services, to be provided by UNDP against full reimbursement;

national execution - the overall management of UNDP programme activities in a specific programme country carried out by an eligible national entity of that country;

obligation - an engagement involving a liability against the resources of the current year in respect of UNDP programme activities and the current biennium in respect of the biennial support budget;

other resources - the resources of UNDP, other than Regular resources, which are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties;

partially funded basis - the allocation of resources against anticipated receipts of future years;

personnel - UNDP staff and other persons engaged by UNDP under other contractual arrangements to perform services for UNDP programme activities or for programme support;

programme support - within the context of the form of presentation of the biennial support budget, organizational units whose primary function is the development, formulation, delivery and evaluation of UNDP programme activities. This will typically include units that provide backstopping of UNDP programme activities either on a technical, thematic, geographic, logistical or administrative basis;

regional cooperation framework - programme activities of a regional significance. A regional cooperation framework shall include the budget of resources to be used towards the achievement of the regional development objectives concerned;

regular resources - the resources of UNDP that are co-mingled and untied. These will include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income;

resources administered by UNDP - all contributions received and all income earned by UNDP;

support costs - the reimbursable expenses incurred by an entity as a result of its implementation of UNDP programme activities;

target for resources assignment from the core, i.e., regular resources (TRAC) - the order of magnitude of the regular resources expected to be available from UNDP during a specified period for the financing of UNDP programme activities at the country level;

trust fund - a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor;

UNDP Accounts - the Accounts established for the purposes of accounting for the receipt and use of all resources entrusted to the Administrator and activities thereby financed, and shall include:

(a) The Regular Resources Account, which shall include all Regular resources of UNDP, activities thereby financed, and related income; and

(b) The Other Resources Account, which shall include all other resources of UNDP, activities thereby financed, and related income; and

(c) The UNDP Funds Account, which shall include all resources received by Funds and Programmes entrusted to the Administrator, activities thereby financed, and related income;

UNDP programme activity or activities - activities funded from UNDP resources and directly associated with the accomplishment of the UNDP mandate, through projects or supports to national programme frameworks (or coherent sets of interrelated policies, strategies, activities and investments designed to achieve a specific time-bound national development objective or set of objectives). UNDP programme activities are planned and carried out through the means of a signed project document or programme support document and its revisions, covering the agreed arrangements for the implementation of UNDP programme activities;

UNDP resources - resources credited to the UNDP Regular Resources Account or Other Resources Account and therefore excludes resources credited to the UNDP Funds Account;

unliquidated obligation - an obligation or that portion of an obligation which is not yet disbursed;

verifying officer - a UNDP staff member who has been delegated the authority to verify payments against UNDP resources and has accepted accountability for it;

voluntary contributions - contributions to UNDP Regular resources from Governments of States Members of the United Nations, of the specialized agencies or of the International Atomic Energy Agency;

working capital - the residual of cash flows into and out of UNDP used to provide advances to executing entities, fund unliquidated obligations and pay ongoing administrative expenses.